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INTRODUCING THE ATOMIC AGE TO HONGKONG

The opening by Hongkong's Governor of the local Atomic Exhibition is an event in itself in spite of the fact that it celebrates a much greater event—the opening, by the Queen, of Calder Hall, Great Britain's first atomic power station and the first of its size and purpose so far to go into action. It brings the nuclear age and its brilliant dawning to Hongkong and the doorstep of China and will be a modest but fascinating reminder of the new age that has begun. The local U.K. Trade Commissioner, who organised the exhibition, received from the United Kingdom photographs, models, books, a film and other items. Exhibits were also arranged by Hongkong representatives of U.K. manufacturers. The University of Hongkong will demonstrate some of its prospecting and nuclear research equipment at the Exhibition.

From the historic day when that young physicist who is now Sir John Cockcroft rushed out of the science laboratory at Cambridge and told all and sundry whom he happened upon that "We have done it: we have smashed the atom"—and thereby announced the victorious issue of the great researches of Lord Rutherford and his brilliant little band of scientists—atomic energy has made giant strides and captured the imagination of young and old alike in all parts of the world. It has conjured up immense terrors and soaring hopes—a vast night-

mare of world destruction and a buoyant dream such as the wildest dreamers of older civilisations never entertained. As the British Ambassador to the U.N. (Sir Pierson Dixon) said in his speech at the great Atoms-for-Peace Conference of 81 nations on September 25, the world is beginning a revolution which will transform the whole pattern of industrial life. This is even more than an industrial revolution; it is a revolution which is likely to have a profound effect on every aspect of human affairs and on the relationship between peoples. "We must not only insure that this new force is used to raise the living standards of the world as a whole; we must also combine to take every measure in our power to prevent this genie which we have conjured up from becoming a Frankenstein."

Britain, the United States and Canada, as an earnest of their own desire to co-operate and help the rest of the world, have agreed to an inter-change of rights of atomic inventions and discoveries. There is no parallel example in the world's history where a handful of countries have shown themselves so ready to put their store of knowledge—acquired at immense effort and cost—at the disposal of their fellow-peoples. It is a tremendous demonstration of the new internationalism in the midst of a resurgent Asia which is troubling the world and the

international order by its Chauvinism and narrow nationalistic spirit. And it so happens that those who, like Egypt, have been most fanatical in their insistence on the absolute supremacy of their own sovereignty in face of manifest international interest, have been most demanding on the fullest rights to share in the great results of the vast researches and expenditure of brain and money made by others, and not least by the pioneer, Great Britain.

While the international aspect of atomic energy has been foremost in recent months, the local exhibition deals only with one of Britain's many contributions to the new science. The total capacity of the twelve British atomic electric power stations, to be constructed in the nuclear power programme by 1965, will be doubled that originally forecast. Instead of the 1,750 to 2,000 megawatts forecast in the White Paper of the nuclear power programme, the total generating capacity from these power stations available by 1965 will be between 3,500 and 5,000 megawatts. Even so the stations will provide only one-fifth of the power needs of the country. Britain is hurrying ahead of others partly because of her declining coal output and the ever-rising demand for power for expanding industries. The increased capacity of the nuclear power stations is due partly to the fact that research now being carried out in connection with the construction of an experimental breeder reactor furnace at Dounreay, Caithness, has gone ahead with such rapidity that a number of important alterations in design which will increase the capacity of this reactor have been achieved.

A year ago, nuclear power appeared for most countries a remote possibility. Now it is a matter not of conjecture but of dates and comparative costs. The British Atomic Energy Authority's annual report in August revealed that research work into the possibilities of obtaining economic power from controlled thermo-nuclear reactions (the hydrogen bomb) has been in progress in Britain for eight years. In order to achieve this a temperature of 100 million degrees Centigrade is necessary. A new type of proton accelerator is planned which will produce something like 100 times the intensity of the present American machines and of the new Russian machine. It will incorporate a giant magnet, weighing 5,000 tons and measuring 120 feet in diameter, and will have an energy of 6,000 million volts. The total sales of radioactive isotopes—by-products of the

industry in which Britain leads the world—have grown steadily and total sales amounted to £500,000 last year, more than half of which represented exports to over 50 different countries. Already the application of the new science has branched out in a hundred and one new fields: from sterilisation and mutation to the detection of leaks in water and oil pipelines.

No smoke can ever be seen coming out of the four tall, thin black chimneys at Calder Hall. These chimneys, two to each atomic furnace, merely discharge the cooling air into the atmosphere after it has been pumped round the outside of each atomic furnace to stop the heat from damaging the furnace's radio-activity shield. But if Calder Hall has no smoke, it has some uncommonly valuable but unusual ash. Ash from coal-fired power stations can be disposed of in a number of ways, such as dumping in the sea. The ash from an atomic furnace is withdrawn in the aluminium cans in which each slug of uranium fuel is originally contained. Part of the ash is plutonium, a fissionable material like uranium, which can be separated out and itself used as a power station fuel, or else for military purposes. In addition to the plutonium and the unspent uranium there are, in the ash, four principal radio-active components. Two of these have long life and may be used as radio-active sources for industrial purposes. Many people in Hongkong who get their living in the plastics industry will know of the uses of the soft plastic material polyethylene. It melts at a certain temperature but if it is suitably irradiated it can be used at much higher temperatures. Rubber vulcanised by irradiation has superior properties.

Parents and students who visit the exhibition will no doubt ask themselves or friends how can budding scientists and engineers train for the atomic age. An excellent start can be made at Hongkong University where the physics department enjoys the advantage of being under the direction of Professor Parsons who has recent extensive experience in the atomic field in the United Kingdom. If Hongkong is to keep abreast of the new science however any experimental atomic reactor will one day be necessary. This could be used to train both scientists and engineers. Meanwhile training courses are available in the United Kingdom. At least four U.K. Universities are running nuclear physics and engineering courses.

HONGKONG PROGRESS AND OUTLOOK

Visitors from abroad often feel worried for Hongkong and they are thrilled by the "big bad wolf" across the border. Some fears for this community's security have been expressed in the words—"Hongkong is nearly in the tiger's mouth". But to local residents the "tiger" appears far off and there is little worry about his future movements. The peculiar position of Hongkong has inured the people here to emergencies which are usually imaginative only. How secure, politically that is, and how safe from an investment point of view is this Colony after all? The answer frequently heard is that before five years, at least, Peking will not contemplate any political moves but will try to utilise the facilities of this place. The optimists explain that at the time of the expiry of the lease of the New Territories, that is in 42 years from now, the question of the future of the ceded territory of Hongkong may then also

be discussed but before that date any speculations would seem to be premature—by four decades.

Peking is a headache of a neighbour not only for Hongkong but for everybody in the Far East. Even the communist controlled states of North Korea and North Vietnam look askance at Peking which is suspect of frustrated expansionism, of a new style of imperialism, of economic penetration and domination. The phrases of friendship and cooperation so copiously and odiously repeated at official parties in Peking are meaningless and do not change facts of history nor alter national aspirations and urges for fulfilment. Until Peking will have grown in economic stature—which must be projected into the distant future—submission to the will of Moscow will be observed, and since Moscow is bent on peaceful coexistence, for a reason, there will be few if any acts of intimidation, threats of violence

or "direct action" by Peking, and consequently one may relax and enjoy the peaceful pause. Subversion and similar tactics, including political trading and aid/assistance agreements, are being resorted to; some southeast Asian neighbours, with more or less anxiety and suspicion entering into all sorts of agreements with Peking with a few staunch anti-communist states remaining on the alert, and relying—wisely and more rewardingly—on American support. The SEATO alliance is of great psychological value and importance, not unsimilar to Nato (which has sparked a West European union now in the making). Thailand knows what perils it faces from across the border with Peking brazenly interfering in Thai affairs by fostering and sponsoring a "Free Thai" movement in China. A similar "Free" movement has been engineered in Peking against Burma. However, as long as Peking's attention is focussed on Taiwan, and no progress is made in this respect by the communists thanks to the resoluteness of the United States, there need not be any particular worry about Peking's adventures elsewhere in the Far East but vigilance and preparedness will be essential for survival.

Hongkong's shrewd, business-minded and fairly cosmopolitan citizens are onlookers, carrying on business with any party that can pay and trying to forget about "implications" and the political madhouse around them. They usually think that Peking has everything to gain from keeping away from Hongkong and their arguments are convincing—which, it is hoped, Moscow also shares. Via Hongkong the Chinese communists are able to maintain contact with the whole world outside the Soviet orbit, they obtain annually remittances estimated at US\$ 200 million from overseas Chinese and local citizens, they can boost exports of Chinese produce and manufactured goods through this convenient Colony, and many a 'brilliant leader' of today may be able to prepare for a future when the never-erroneous Party has decided that brilliance has turned into diversionism or even worse. During the short but eventful history of Hongkong many regimes in China—all parts of it—have come and gone, and prominent personages have quite regularly shown up here and turned out as property owners etc. etc. There is a saying that history repeats itself.

Hongkong is actually in no danger whatsoever. The fact that there is a large garrison here and Naval and RAF units are stationed in this territory is proof for the determination of the UK with regard to this Colony. The presence of the US 7th Fleet must also never be forgotten. The whole Pacific, as the saying goes, has become an American lake, and Hongkong is quite prominent a trading centre and a free world bastion in the Western Pacific. The local Chinese, with very few exceptions, appreciate this fact very much, and the constant new investments in property and development of ever more hillsides, the progress of reclamations and the expansion of industry, in spite of growing competition from all sides, are eloquent evidence for the confidence in the future of Hongkong. Many speak of confidence with tongue in cheek but confidence there is as every day another building rises from the ground. As was said in this Review of August 9 (page 169), a connection with China, red or blue, though possibly satisfying from a nationalistic point of view, cannot be favoured by the majority of local Chinese; it would mean economic decay of Hongkong.

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Hongkong's residents take growing pride in the advance of this territory which has in recent years been surprisingly

rapid and most heartening for commercial, financial and industrial interests. The expanding skyline—indeed the transformation of almost all suburban districts and the "Americanisation" of the business centre—and the feverish amount of new building all over the twin cities of Victoria and Kowloon are impressive proofs for the progressiveness and optimism of the people here. Hongkong acts like a magnet on the Chinese, both from the mainland and from overseas. The population is still rising in spite of the high density in the urban areas which had its effect also on the agricultural hinterland in the New Territories and even on some of the islands (e.g. Cheung Chau and Lantao) with more city dwellers moving their residences there. Although there has been remarkable advance in China under the Peking government, local immigration controls have to be enforced as otherwise the influx of people from China would adversely influence the economy of this territory. The present population is around $2\frac{1}{2}$ to 2.3/4 million with an annual increase from births over deaths of 70,000. Due to political circumstances not to the liking of overseas Chinese in many southeast Asian countries and the reluctance of these Chinese to assimilate themselves to the life and culture of the host nations, many merchants and others with large funds from Vietnam, the Philippines, Indonesia and even Malaya have settled in Hongkong where they have invested their capital, usually in real estate development. Modern facilities are prevalent here with the effect that Hongkong today appears more like a Western than an Oriental city—at least in the central and business as well as in the principal residential districts. The luxury and beauty of villas, apartment houses and private residences has often aroused admiration and surprise on the part of visitors. The wealth stored up here is reflected in these structures, and new building is storming ahead. With one of the lowest income tax rates in the world, a free exchange and gold market, a law-abiding population, an efficient administration, a minimum of trade and other controls, a community free of internal dissensions and on the whole cooperative and very tolerant, it is small wonder that local and foreign observers describe Hongkong as a little paradise. Climate, scenery and splendid development of the territory have predestined it as a leading tourist centre in Asia. Roads and all transport facilities are excellent, and maintenance and continual expansion is a matter of government policy and civic pride. As tourism has become major 'industry' here, existing hotel accommodation has however proved inadequate and quick expansion of up-to-date hotel buildings is urgent. There are now many plans for modern hotel construction and with the realisation of the thirty storey high 'Fu Centre', a skyscraper hotel overlooking the City Hall and the Central Reclamation will form still another attraction of Hongkong. Visitors and local citizens alike are greatly impressed with the Manhattan-style development of Hongkong; twelve to twenty storey buildings are now found everywhere and new planning is ever more ambitious and vertically progressing. Office buildings—of which at present a dozen are either before completion or under construction—are all rising high up into the sky; several 14 and 15 storey buildings are soon to be finished while pile driving and demolition work is proceeding on a growing number of sites right in the heart of Victoria. But the skyscraper-type of building in residential districts like in Causeway Bay, North Point and Tsimshatsui districts is also rapidly progressing. Nothing like it has been done anywhere in Asia—not even in Japan where residential construction of big apartment blocks is neglected in favour of business structures.

— EZEKIEL

CHINA'S RAILWAY PLANS

It was announced on September 7 that surveying had begun for another railway which will link Lanchow and Chengtu. This second link between the Northwest and the Southwest will facilitate the transport of petroleum from the oilfields in Kansu Province and the Tsaidam Basin to Chengtu, and of agricultural produce from Szechuan to the Northwest.

The new surveying is being done by air nowadays. The Soviet Union has lent China a special aeronautical survey plane, which began its work on August 8 when it left Peking to survey the route for a new railway between Sian (Shensi) and Wuwei, in Kansu. There were 17 Soviet and Chinese surveyors aboard. This is one of the six important trunk lines, covering a total length of 3,500 miles, which is to be surveyed from the air. The other five are the link-up of the projected Lanchow-Chinghai railway with Lhasa; the railway from Sining to Mangyai in Chinghai Province via the Tsaidam Basin; the railway from Sian to Hankow via Laohokou; the railway from Chengtu to Kunming via Sichang; and the railway starting from Weining in Yunnan to Kweiyang in Kweichow Province. The aeronautical survey of these six new railways is expected to be completed by the end of next year. Nearly 100 Soviet survey experts will direct the survey work in these tasks.

Surveys have begun for a railway linking the newly-discovered Karamai oilfield in Sinkiang with the Lanchow-Sinkiang trunk railway now under construction. The line, some 320 miles long, would start at a point west of Urumchi on the trunk line, pass through the Karamai oilfield, and finally reach the Altai mountainous region, which is rich in timber and mineral resources, in Northern Sinkiang.

A new 45-mile railway from Changping, on the new Yingtan-Amoy line in Fukien, to the Lungyen iron and coal region in south-western Fukien, is to be built, and survey work has already begun. The idea came from Tan Kah-kee, the well-known overseas Chinese leader, at the NPC. He made an inspection tour of the Lungyen area before leaving Fukien for the Congress in Peking. He said 65 million tons of high-grade iron deposits had already been discovered in the initial prospecting and the ores are estimated to contain between 60% and 70% pure iron. The ores could be fed to the Wuhan iron and steelworks.

He estimated that 600 million tons of anthracite deposits are also available in the Lungyen district. When these deposits are mined, he said, the large amount of timber on which the Fukienese had hitherto depended for their fuel could be saved. The district is also reputed to be rich in limestone deposits and Tan Kah-kee suggested the setting up of cement works there, for the proximity of limestone and anthracite deposits would make production costs very low for cement.

Track-laying has just been completed on the difficult railway through the Tsinling Mountains from Chengtu to Paochi, but even before the line has been put into service serious landslides and washouts have occurred. More than 60,000 railway builders have for some weeks been actively checking possible hidden menaces in order to ensure the early opening of traffic. The 230-mile section between Paochi and Kuangyuan crosses over an earthquake area where the geological structure is irregular, wind deterioration of rock is serious and rain precipitation and subterranean water are heavy in volume. After the first flood torrents in June this year, more than 380 "spots of deterioration" were found along the line. The landslides, collapses and foundations washed away by flood torrents are a great menace to the safety of traffic. In mid-July the authorities started work on the elimination of these menaces. On the mountain slopes in the vicinity of 16 important tunnels, road foundations and some railway stations, workers drilled and dug to find out the condition of subterranean water, on the one hand, and dug drainage ditches on the other. They also use dynamite to make the slopes firmer. Near the bridge abutments and road foundations along the Kialing River, workers are building permanent dykes to divert flood torrents.

The Chief Engineer, Pan Hsueh-chin, told a Peking news agency correspondent that the seriousness of earthquakes to the geological structure in this section had been known to them, though it is comparatively better than the section from Tienhui southward along the Han River. Measures were adopted to eliminate the menaces during the designing stages, but in actual operation the condition was found to be worse than had been expected.

Little has been heard for many years of the Peking-Chengteh line built by the Japanese during the occupation through the precipitous and difficult country between Peking and the Jehol capital through the Great Wall. It was in fact not until July that work was started for the restoration of this railway, from the Shangpancheng station of the Chinchow-Chengteh line to Huaijo, of 110 miles. This project was expected to be completed by the end of 1957, by which time the section would be joined with the Peking-Huaijo section totally to restore the line.

Speculation has long been rife as to the condition and treatment of the masses employed on the building of the new railways in the more difficult areas, like the Northwest, and of mass labour employed on urgent water conservancy, dyke and dam building, and other large-scale labour projects. The People's Daily revealed that even in the case of workers employed on the far simpler project of double-tracking the existing railway between Shihch'achwang and Yangchuan conditions drove them to revolt. It admits that large numbers of "new workers" left their posts at the construction site of the double-tracking, because their life was made "intolerably miserable" by the engineering bureau in that section. "The workers there were clad in out-of-season clothing. They earned barely enough to feed themselves. When they first came from their villages, they wore cotton-padded clothing, and they were still wearing this when the summer came. Their shoes quickly wore out but they were unable to buy new ones. They were given little food, just enough to keep them from starving. Food prices were high but the quality was coarse. Many of them had to spend more than they earned on food alone. They stayed in dingy and damp shafts. On fine days, the place had a terrific stinking smell. On rainy days, the roof leaked at many points. Surroundings and sanitary precautions were worse. Flies were everywhere while bed bugs roamed at large."

Such a kind of life was too much for the workers, said the Peking People's Daily. They took the matter to the Party leadership in their locality. They were curtly told that since they were paid on a job basis, they could get more by working harder and forgetting about their misery. "This was quite a big shock to the new workers from the villages, who were willing to sweat it out at decent wages. The problem was that though the wage system on a job

basis had been introduced among 90% of the workers, the newcomers had not been organised to improve their skills and fulfil set norms. The situation became serious when three different and progressive levels of quota were fixed for the workers on a certain assignment to be fulfilled on a given day, with the result that the workers could not catch up with the accelerated pace, no matter how hard they tried. Most of the new workers therefore got very low wages. Their request for a little advance to buy under-wear and shoes was also rejected. Thereupon, the workers applied for permission to leave their posts. This request was also rejected. They were even warned that if they did so, their food rations would be withheld. The going was so rough at this construction site that nearly 700 of the new workers quit their posts without bothering about the ration cards.

"The leadership of this section cared even less. A month later, an application was filed with the Shansi Provincial

Labour Bureau for a replacement quota of 1,700 able-bodied workers. The Bureau promised to send additional labour if the desertion problem could be properly solved. The Bureau later received a long-distance telephone call from its subordinate office in Yu Chi about another 150 deserters in that engineering section. The Bureau therefore shelved the application for replacement labour until the problem of the 150 deserters was settled." The position in this section was sharply contrasted with that in the Tai-yuan Engineering Bureau, whose engineering section was careful at the very beginning in looking after new workers. When they, too, had similar trouble and workers failed to fulfil quotas, they analysed the causes and gave the new workers a short period of training, and Party members and veteran workers zealously helped them. They also paid proper attention to the needs of these workers and the labour union made arrangements for instalment payment for clothing.

CHINA'S SECOND FIVE-YEAR PLAN

The Eighth National Congress of the Chinese Communist Party has set the targets for the State Council to prepare a draft plan for China's economic developments during 1958-62. The central task is still the development of heavy industry.

Heavy Industry

The output of principal products by 1962 should reach following levels:

Product	Unit	Target for 1962	Target for 1957	Actual output in 1952
Electricity	100 million kwh	400-430	159	72.6
Coal	10,000 tons	19,000-21,000	11,298.5	6,352.8
Crude oil	10,000 tons	500-600	201.2	43.6
Steel	10,000 tons	1,050-1,200	412	135
Aluminium ingots	10,000 tons	10-12	2	—
Chemical fertilizers	10,000 tons	300-320	57.8	19.4
Metal-lurgical equipment	10,000 tons	3-4	0.8	—
Power generation equipment	10,000 kw	140-150	16.4	0.67
Metal-cutting machine tools	10,000 units	6-6.5	1.3	1.4
Timber	10,000 cubic metres	3,100-3,400	2,000	1,002
Cement	10,000 tons	1,250-1,450	600	286

Light Industry

While giving priority to the development of heavy industry, the growth of light industry should be accelerated on the basis of a higher level of agricultural development, so as to meet the growing demand for consumer goods and to contribute towards the state's accumulation of funds. Output of the main light industrial products should therefore reach following levels in 1962:

Product	Unit	Target for 1962	Target for 1957	Actual output in 1952
Cotton yarn	10,000 bales	800-900	500.0	361.8
Cotton piece-goods	10,000 bolts	23,500-26,000	16,372.1	11,163.4
Salt	10,000 tons	1,000-1,100	755.4	494.5
Edible vegetable oils	10,000 tons	310-320	179.4	98.3
Sugar (including hand-made sugar)	10,000 tons	240-250	110.0	45.1
Machine-made paper	10,000 tons	150-160	65.5	37.2

In these five years, the construction of industrial bases in Northeast China, Central China and in Inner Mongolia should continue with the iron and steel industry as their core. The construction of new industrial bases in Southwest China, Northwest China, and the areas around the Sanmen Gorge should begin with iron and steel industry and hydro-electric power stations as their core. The building of oil and non-ferrous metal industries in Sinkiang and the geological prospecting in Tibet should be intensified.

Agricultural Output

During the second five-year plan period, increase in the output of grain must be ensured to propel the development

of agriculture as a whole. At the same time, increased production of major industrial crops, especially cotton and soya beans, must be ensured to propel the development of light industry. A diversified rural economy should be encouraged to bring about a considerable expansion of stock-breeding, forestry, fisheries and subsidiary cottage occupations so as to ensure an increase in the peasants' income. Output of staple agricultural products and the number of important livestock should reach following levels in 1962:

Product	Unit	Target for 1962	Target for 1957	1952 Record
Grain	100 million catties	5,000	3,631.8	3,087.9
Cotton	10,000 tan 1 tan = 50 kg.	4,800	3,270.0	2,607.4
Soya bean	100 million catties	250	224.4	190.4
Cattle	10,000 head	9,000	7,361	5,660
Horses	10,000 head	1,100	834	613
Sheep & goats	10,000 head	17,000	11,304	6,178
Pigs	10,000 head	25,000	13,834	8,977

The principal measures for increasing production are: expanding the irrigated area; developing the sources of manure and fertilizers and improving their use; popularizing new-type farm tools; popularizing high-grade seeds of agricultural crops and promoting the work of seed rejuvenation; improving methods of cultivation; enlarging the area of land planted to several crops a year and reclaiming waste-land in the vicinity of villages; increasing the area planted to high-yield crops; improving soil, with special attention to improvement of red soils and alkaline soils; preventing plant diseases and insect pests.

Communications

In order to cope with the needs of industrial and agricultural production and of national defences, more new railways and highways, postal and tele-communication lines, and water and air transport lines must be built and the efficiency of transport and communication services must be increased. 8,000 to 9,000 kilometres of new railways should be built in these five years. The trunk railway lines from Lanchow to the border in Sinkiang, from Paotow to Lanchow, from Nechiang to Kunming, from Chungking to Kweiyang and from Lanchow to Tsaidam should be completed. 15,000 to 18,000 kilometres of trunk highways should be constructed or reconstructed. More river, coastal and seagoing vessels should be constructed and harbour construction work should be pressed ahead. Inland shipping lines should be extended and transport services on rivers should be better organised. Equipment and facilities of air transport should also be increased and the national postal and tele-communications networks expanded.

Domestic and Foreign Trade

The volume of retail trade in 1962 should be about 50% greater than in 1957. There should be a corresponding increase in sales by state trading concerns and cooperatives of daily necessities, such as grain, meat, aquatic products,

edible vegetable oils, sugar, cotton piece-goods, knit goods, coal and kerosene, to the people in towns and villages, and of means of production to agricultural and handicraft producers' cooperatives. Planned purchase and sale of grain, edible oil and cotton piece-goods and planned purchase of cotton should be continued. Free purchase and sale under the unified direction of the state should be guaranteed so far as it concerns commodities which the peasants retain after planned purchases by the state and those which are not covered by the plan. Work in purchasing and supplying materials for export should be improved to ensure a balance between imports and exports.

Socialist Transformation

Socialist transformation of private enterprises should continue, however, and small industrial enterprises needed by society should be kept as they are. In the commercial field, it is even more necessary to operate in various ways. Trading establishments should be scattered in a reasonable way over a given locality and managed separately while being placed under the state guidance. To meet the daily needs of the local population, an appropriate number of small traders and pedlars should be allowed to carry on their business in the residential areas of towns and in villages. Handicraft producers' cooperatives should direct attention to checking over and consolidating their organization, manage production efficiently, organize the supplies of raw materials and the marketing of their products. Decentralization should be effected to suitable extent in certain handicraft trades. Some handicraftsmen, particularly those who make special artistic products, should be allowed to continue working on their own.

Intellectuals

Intellectuals should be encouraged to cultivate independent thinking and to engage in free discussion. Their working conditions should be improved and their creative ability directed to meet the needs of development of scientific research and economic and cultural development.

Education & Training

In this five-year period, the number of university and college graduates is expected to reach approximately 500,000, 80% more than the number aimed at in the first five-year plan. In 1962 the total enrolment in universities and colleges is expected to reach 850,000, double the number aimed at in 1957. Efforts should be made to wipe out illiteracy throughout the country; carry out the reform of written Chinese step by step; and establish spare-time primary and secondary schools for workers and peasants.

Relation with U.S.S.R.

Aid from the Soviet Union and the People's Democracies is an important condition for building socialism in China. Cooperation with the Soviet Union and the People's Democracies must be strengthened. Economic cooperation, trade relations, and cultural and technical exchanges with countries with different social systems, particularly with those in Asia and Africa, should be developed.

Peking admitted that judging from the implementation of the first five-year plan, it would be difficult to anticipate at an early date many of the factors to be encountered in carrying out a long-term plan. This is particularly so in agricultural producing when it is still very difficult to prevent losses from natural calamities. Yet success or failure in fulfilling the plan for agricultural production has a profound influence on the execution of the whole plan!

FOREIGN TRADE OF TAIWAN DURING FIRST HALF OF 1956

Value of export settlement was US\$69.7 million which was US\$7.2 million higher than that of the comparable period of a year ago. Among exports, products of public enterprises such as sugar, rice, salt, and camphor remained the same. Most increments in export over last year were made by products of private enterprises. Citronella oil, pineapple, tea, coke, cotton yarn, and woolen yarn registered largest increments. Most other products made by private enterprises also showed small increases in export.

Value of import settlement, inclusive of commercial procurements under U.S. Aid, increased by US\$18 million during the first half of this year as compared with a year ago. Largest increments were recorded in productive equipment and raw materials such as metals, chemicals, machinery and tools, crude oil, raw cotton, rubber, dyes and paints, resin and plastics, and radio equipment. Import settlement on consumers' goods, such as cotton products, salted fish, bicycles and parts, beans and peas, chinaware, glass and products, and official requisites were generally lower as compared with the first half of last year. General trend seems to be in conformity with the national policy of economic reconstruction and austerity.

There was a general downturn in both import and export commodity prices. The import commodity price index at the end of June 1956 was 4.7% lower than at the end of December 1955. The decline in export commodity price index during the same period, at 14.6%, was more severe. The range of price decline in import and export commodities was several times larger than the general wholesale price index which registered a 1.7% dip during these six months. General downturn and softness in prices were due to the following factors: increased production, decreased consumption, balanced revenue and expenditure of Government, the trend towards tightness in bank credit, the increment in the balance of U.S. Aid counterpart fund, the faithful execution of credit and price control, and the general weakness in the world market. Moreover, the stability in the national economy, the strengthening in national defense, and the consequent heightening in public confidence are major underlying factors. The severe drop in export commodity prices during the period under review caused hardships on the part of exporters, especially the decline in world prices of citronella oil, tea, and feathers. Government is planning to give aid to exporters in these lines. Export settlement in citronella oil and tea during the first half of this year still surpassed the record during the comparable period of last year.

There were changes in trade by area during the first half of this year. On the export side, value of exports to

Japan decreased as compared with a year ago. Value of exports to all other areas increased generally: Iran, Republic of Korea, Thailand, and the United States accounted for comparatively higher increments; Australia, Hongkong, Singapore, and the U.K. also showed increases while Pakistan, Sudan, and North Borneo were newly added areas of Free China's export trade. On the import side, with the sole exception of Hongkong which remained unchanged, values of imports from all other areas showed increases. Although Free China's exports to Japan decreased, its imports from Japan increased. This was due to the emphasis placed by Free China on the Sino-Japanese Trade Agreement. With the exception of those goods directly supplied under U.S. Aid, Free China gives Japan priority as supplier of all imported goods.

As to invisible imports and exports (outward and inward remittances), the situation during the first half of this year was normal. Inward remittances were about the same as in the comparable period of last year. Outward remittances increased by 10% as compared with a year ago. This was chiefly due to increased quantities of import and export commodities as well as the increased number of travellers going abroad. The expansion in cultural enterprises also accounted for a part of such increases. As a result, remittances for freight, insurance, airlines, and the press all increased a little. On the other hand, remittances for consumption uses such as motion picture box office receipts, living expenses for families staying in Hongkong and Macau, and remittances for travelling expenses for families coming to Taiwan, have all decreased.

Pertaining to foreign exchange and trade control in general, special emphasis has been placed along the following lines during the past half year: First, aids to encourage exports, e.g., the gradual extension of validity of export foreign exchange certificates, the purchase and sale of foreign exchange certificates by commercial banks, the making of loans with foreign exchange certificates as collaterals, special measures to aid export loans, the effecting of tax rebates on export goods, the cultivation of new markets in southeast Asia and elsewhere, the intensified survey of international markets. Secondly, the coordination of various policies concerning the use of U.S. Aid and commercial procurements, e.g., aid to assist the development of small industries such as aid to expand industrial machinery and equipment, increases in industrial raw material allotments, etc. Thirdly, revision and implementation of regulations and the investigation and audit of the operations of trading firms.

DEVELOPMENT IN TAIWAN

The Shihmen Reservoir

To forge ahead with the development of natural resources and industrialization in Taiwan, government has recently undertaken two gigantic projects. One is the Shihmen Reservoir, and the other, the Cross Island Highway. The completion of these two projects would greatly improve the economic conditions of the island. The proposed Shihmen Reservoir is located at about 45 kilometers south of Taipei on the Takekan Creek, a tributary of the Tamsui River. The Takekan Creek originates from the Jade Mountain Range and takes its course westward through the

gorges and valley till it reaches the alluvial plain about 80 kilometers from its origin. At Shihmen, the mountains on both sides close in sharply. From them on, the river bed widens along its course. In the rainy season, floods sweep down from the mountains and often inundate cities and town in the Taipei region, while in the dry season, farmlands which depend on the Takekan Creek for water usually face critical water shortage.

The key structure of the project will be a concrete arch dam having a crest elevation of 250 meters. It will be about 125 meters above the foundation level. The entire

length will be 380 meters. The width at the top will be eight meters and the width at the base will be 50 meters at the thickest point. On the mountain slope to the right, a spillway will be built with the crest elevation fixed at 235 meters and length at 98 meters. The spillway will be able to discharge floods at the rate of 11,000 cubic meters per second. The reserve storage for flood control of the reservoir will be about 64,000,000 cubic meters.

The Reservoir's effective storage will be 251,000,000 cubic meters. The water will be used to adjust water flow for irrigation, power generation and public water supply.

The main purposes of the project are irrigation, flood control, power generation, and public water supply. The existing irrigation system (including the Taoyuan Canal, Kwangfu Canal, and Houchung Canal) for the Taoyuan district is not enough, especially in the dry seasons. Farmlands on the borders of the Taoyuan plateau find it difficult to get irrigation water because of their height. They are mostly dry lands. After completion of the Shihmen Reservoir, all plateau land in the region will be converted into two crop paddy fields while part of the beach lowlands will also be made into paddy fields. Total irrigated area will thus amount to more than 54,000 hectares, and rice production might consequently increase by 69,000 metric tons a year.

A hydraulic power generating plant will be installed below the dam. The power plant will have three sets of generators with a total capacity of 120,000 KW. This will boost up greatly the power supply in the island.

In rainy season, the Takekan Creek and the Tamshui River often inundate the lands along their course. If the peak flow of the Takekan Creek could be controlled by the Reservoir, the stage of the Tamshui River, and the consequent flood losses, would be greatly reduced.

A public waterworks will be set up near Pingcheng, drawing water from the Shihmen Canal. After treatment, the water will be piped to towns such as Taoyuan, Kantschu, Chungli, Yangmei, Pingcheng, etc., supplying the need of an estimated 340,000 people.

It is estimated that the entire project would require NT\$600,000,000 plus US\$12,000,000. The cost will ultimately be borne by its four main functions, viz., irrigation, flood control, power and water supply. During the construction period, the funds will be provided jointly by the Central Government, Provincial Government, the local governments, and the Taiwan Power Company, while appropriations from U.S. aid fund might also be available.

The project will be executed in five years by the Shihmen Reservoir Construction Commission. The first stage of work, consisting mainly of road making, has already been completed.

The Cross Island Highway

Because of the Central Mountain Ranges lying vertically through the middle of the island, transportation between the east and west coasts has so far to be made in a roundabout way. The proposed highway would start from Taichung, take its course east, cut through the mountain ranges horizontally, and reach Hualien and Lotung of the east coast, thus making possible direct transportation between the east and west coasts. The preliminary survey works of the highway and the natural resources along its path have been completed. The highway will take about two years to complete after the work is started, and will cost about NT\$230,000,000 plus US\$1,200,000.

One of the purposes of the project is to provide settlement for the retired servicemen. A great portion of the labor necessary for building of the highway will be supplied by the retired servicemen and after the completion of the highway, these servicemen will also be settled along the highway region in either agriculture, forestry, sericulture, mining or other industries.

The main purposes of the project are (1) direct communication between the east and west coasts, (2) settlement of the retired servicemen, and (3) the development of the natural resources in the regions along the highway. According to the survey, about 37,000 hectares of fallow land along the highway can be utilized for cultivation or forestation. Of these 37,000 hectares, about 2,400 hectares could be used for growing crops, 1,500 hectares for ranches, and 33,500 hectares for mulberry planting (for sericulture) and forestation. Along the highway, there are five forest working sections, viz., Chia Chi, Yen-Hai, Taiping-Shan, Ilan, Lo Tung, with a total accumulation of timber of 21,734,000 cubic meters, of which 10,000,000 cubic meters could be cut. In the upper region of the Ta-Chia Chi, it is estimated that there are about 1,500 hectares of grass lands that can support 1,100 heads of dairy cattle, 4,700 heads of Angora goats, and 900 heads of draft cattle.

The conditions of all the regions along the highway are suitable for the planting of mulberry trees and the raising of silkworms. About 50,000,000 mulberry trees can be planted in the mountainous area and the grass lands. The sericulture established around the highway may support an estimated 2,500 retired servicemen. The mineral reserves bordering the highway are also very rich, mostly in the Li-wu Chi basin, and also in the Ta-Chia Chi basin and the Ilan Cho-Shui Chi basin. The minerals are gold, marble, white mica, granite and coal. The value of gold deposit in the three basins is believed to be NT\$2,000,000. More hydro-electric power can also be developed in the Ta-chia Chi, Li-wu Chi, and the Ilan Cho-Shui Chi basins. According to the survey, about 310,000 KW can be further developed, in addition to the 597,000 KW already projected or completed in these regions.

THE INDUSTRIAL ZONE OF TOKYO AREA

Industrial activities in Japan are centered in a general way in the four areas of Tokyo, Osaka, Nagoya and the northern part of Kyushu Island. The products of Tokyo and its environs command numerical predominance. Then, those from Osaka and Nagoya follow. Depending on the conditions of location as to supply of power and material and the supply-demand relation of the industry concerned, not a few branches of industry flourish in urban areas in many a part of the country, such as shipbuilding, rolling-stock, textile, chemicals, farm implements, woodworks, etc.

The industrial district of Tokyo area extend over the whole stretch of land from Tokyo to Yokohama including the whole neighbourhood of three cities, Tokyo, Yokohama, and Kawasaki. Take a westbound train from Tokyo, and you will see that all the districts along the twenty-mile railroad track as far as Yokohama are filled up with factory buildings and dwelling houses standing almost in a continuous row. Especially so is a strip of land on the south side of the railroad track facing Tokyo Bay; this zone is known as the Tokyo-Yokohama industrial zone, and is the

heart of the industrial district around Tokyo. Here stand mammoth factories close to one another with a forest of stacks emitting columns of smoke darkening the sky. Besides the harbour facilities of the ports of Tokyo and Yokohama, this industrial zone has wharf facilities of its own where ships of over 10,000 tons can be moored alongside to unload material, or load products, direct to and from plants of the zone.

The Tokyo-Yokohama industrial zone administratively comprises three municipalities of Tokyo, Yokohama and Kawasaki. The industrial zone within the municipality of Tokyo is divided roughly into three sections, the east, the north, and the south. Chemical and textile industry flourish in the northern area of the city, and the east and the south stand for machinery and metal industries. Adjoining Tokyo directly to the south is the city of Kawasaki which is a pure industrial city with 320,000 population and it continues immediately to the industrial zone of Yokohama at its western limit. The strip of land extending from Kawasaki to the northern part of Yokohama is the core of the Tokyo-Yokohama industrial zone crowded with giant factories of heavy industry. Iron, steel, ships, automobiles, electric and other heavy machinery, chemicals and chemical fertilizer, etc. are the products of this section of the industrial zone.

In the background of the Tokyo-Yokohama industrial zone lies the Kanto district which is often cited in contrast with the Kansai district which includes Osaka, Kobe, and Kyoto. The Kanto district extends over 32,000 square kilometers with the city of Tokyo as its center; administratively it includes one special metropolitan area and six prefectures. The larger part of the district is occupied by the plains of Kanto one of the most important agricultural centers of Japan. The plains produce rice, wheat, barley, potatoes, peanuts, and a wide varieties of vegetables and fruits.

The prefectures in this district, however, do not live only on agricultural production, but also display activities in industrial production. Twenty minutes by electric train northward from the center of Tokyo Central will take you to the prefecture of Saitama. Saitama is a typical agricultural prefecture of the country; except a narrow mountainous region in the west, the whole prefectoral territory is a flat plain covered by cultivated fields of rice, wheat, barley and vegetables. In the production of barley, the prefecture leads others in all the country, and together with the adjoining Chiba Prefecture, serves as the source of food-supply for Tokyo. Sericulture is also very much in flourish here, and the prefecture is ranked with its northern neighbour, Gunma Prefecture, as the largest raw silk center of the country. Cotton fabrics and embroidered lace of this prefecture are sold abroad. The southern part of the prefecture flourishes with metal-casting industry.

East of Tokyo, lies the peninsula of Boso. The Chiba Prefecture occupies within its territory the whole of the peninsula. It is a noted agricultural prefecture, particularly prominent for rice production. Blessed with the longest coast line in the Kanto district, the prefecture also boasts a prosperous fishing industry. Recently, a large steel mill was erected near the city of Chiba, the seat of the prefectoral government; when completed, the prefecture can boast of a large quantity of steel product. The Ibaragi Prefecture is the neighbour of Chiba in the north, and is an industrial center. The northern part of the prefecture is a prosperous coal mining district and adjacent to this lies Hitachi industrial area. Here, large scale copper and iron smelting works are in operation, and with the products of these smelting works as material, varieties of electric machines and appliances are turned out. Known by the name of Hitachi, these products enjoy worldwide reputation and are being exported to many countries of the world.

The manufacturing plants at Hitachi and near Mito City in the prefecture are under the control of Hitachi, Ltd. Ibaragi is the largest production center of wheat and barley ranking only next to Saitama, and stands first in Japan in the production of tobacco.

Tochigi and Gunma are land-bound prefectures without coast line, lying west of Ibaragi. Both are large production centers of wheat and barley, and Gunma boasts large-scale flour mills. Gunma is among the leading textile producing prefectures of the country, occupying the premier position in the output of raw silk. Silk, rayon and cotton fabrics and raw silk are produced. In the northern part of Tochigi lies Nikko, a tourist resort known widely among foreign visitors. These parts as well as the north of Gunma are mountainous where ranges of mountains rise one above another presenting a grand spectacle with ravines dotted with hot springs. Ashio in the neighbourhood of Nikko is a copper mine, the oldest and largest in the country. Nikko as a sightseeing spot often overshadows its importance as a copper production center. Pottery-lovers in the world will perhaps be acquainted with the name of Mashiko, though ignorant they may be of the name Tochigi Prefecture. The small town of Mashiko in an obscure corner of the prefecture has come into highlight by virtue of pottery made in that town from the soil of that locality. Another important product in Saitama, Tochigi and Ibaragi is cement; thanks to a rich deposit of limestone underground, these prefectures are noted producers of the material indispensable for modern construction.

The Kanagawa Prefecture is located to the south of Tokyo. Covering an area about one-third compared to Ibaragi, Tochigi and Gunma, it is a small prefecture. Being in possession of the Tokyo-Yokohama industrial zone within its prefectoral boundaries, it has a place among the most prominent industrial centers in the country. Yokohama is the leading city of the prefecture.

The products turned out in the Kanto district include a wide variety of those coming under the category of heavy industry, such as iron, steel and copper manufactures, steel ships, railway rolling stock, automobiles, electric generators and motors, construction machinery, and the like. Iron and steel manufactures come principally from the cities of Kawasaki and Chiba, and those of copper from the prefectures of Ibaragi and Tochigi. Japan has about sixty shipbuilding yards, large and small, well equipped for steel ship building, scattered in many parts of the country, whose production annually aggregates 1 million gross tons or thereabout. Among the ten larger shipbuilders in Japan, Ishikawajima Heavy Industries Company operates a dockyard, the oldest in Japan, in Tokyo, and Mitsubishi Nippon Heavy Industries, Ltd. in Yokohama and Uraga Dock Company in Uraga. In the number of railway rolling stock manufacturers, the Kansai outnumbers the Kanto in which only a few are in operation in the manufacture mainly of railway passenger coaches, freight cars and electric cars. However, the Tokyo Shibaura Electric Company manufactures electric locomotives, electric cars and buses. The automobile manufacture is one of the most thriving among industries in the Tokyo-Yokohama zone. Here are Isuzu Motor Company, the largest automobile maker in Japan, Nissan Motor Company, Hino Diesel Industry Company and more. For the manufacture of heavy electric machines like generators there are manufacturers working on extensive scale in this district, such as Hitachi, Ltd., Mitsubishi Electric Mfg. Co. and Tokyo Shibaura Electric Company. As for light electric machines like washers, fans, radio sets, etc., there are innumerable makers. Hitachi manufactures electric generators, motors and copper manufactures. Tokyo Shibaura manufactures electric machines and appliances,

CHINESE EDUCATION IN THE PHILIPPINES

By Dr. Antonio Isidro

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The education of the Chinese in the Philippines was recently the subject of deliberations by the Board of National Education. Its importance to the Philippines can be better appreciated when it is considered in relation to the Chinese population in neighboring countries.

The Chinese in Southeast Asia constitute a powerful force in the economic field and a serious problem in the national development of the newly born republics in the region. On account of their economic dominance, they are the object of jealousy and suspicion on the part of the nationals; and because of their general unassimilability, their educational program has become a deep concern to the governments.

The Chinese population in Southeast Asia has been variously estimated from nine to ten million although in 1947, Purcell gave only 8,505,000. In relation to the total population, Malaya has the largest percentage of Chinese population. Out of a population of 5,849,000, 2,615,000 are Chinese. While 1,835,000 of them are found in Malaya, 730,000 are residing in the Colony of Singapore. The total population of the Federation was 4,908,000 and that of Singapore was 941,000. In 1955, Thompson and Adloff estimated the Chinese population of the Federation and Singapore at 2,795,000.

At this figure, they outnumbered the indigenous Malays and promise an even greater proportion in the days to come, because their rate of increase is 3 per cent a year as contrasted to that of the native Malays, which is only 2 per cent annually.

Next in the concentration of Chinese population is Thailand, where out of the 17,359,000 population of all races, 2,500,000 were Chinese. In 1955, Thompson and Adloff placed the Chinese population at 3 million, representing about 16.7 per cent of the estimated population of 18,000,000. Although the Chinese population of Indonesia is about as large as that of Malaya, they represent but about 2 per cent of the total Indonesian population. Most of them are found in the Outer Islands of the Archipelago.

In Burma, out of the 17,000,000 population in 1947, 300,000 were Chinese. Thompson and Adloff estimated the

Chinese in Burma as only 2 per cent of the total population. The estimates of Chinese population in the Philippines vary considerably from that given by Purcell based on the 1948 figures which were secured from the Immigration Bureau. McNutt in 1947 and Malcolm in 1948 placed the Chinese population in the Philippines at 200,000.

An official source estimated that in 1951, there were 300,000 Chinese in the Philippines. Some estimates even place the Chinese population anywhere between 500,000 and 600,000, considering the "illegal entries."

Chinese education in the Philippines has been enjoying almost complete autonomy with respect to its organization and administration. Although the Constitution provides for government regulation of educational institutions, the Bureau of Private Schools has found it difficult to exercise effective control and supervision over them. The Bureau is handicapped by lack of supervisors who know enough Chinese to find out what is going on in the schools.

In 1955, there were 9 kindergarten, 97 primary schools, 93 intermediate schools, 17 high schools and 4 institutions of collegiate rank with a total enrolment of 27,140. The distribution of enrolment according to the schools is as follows: kindergarten, 637; primary, 16,058; intermediate, 6,626; high school, 3,594; and collegiate, 225. A large concentration of these schools is found in Manila with 27 schools; Iloilo and Dumaguete have 2 schools each; and Davao, Cebu, Baguio, Legaspi, and Zamboanga have 1 school each.

There are two types of Chinese schools according to the sources of support: independent private schools supported by businessmen as stockholders, and community-aided schools which are financed by contributions and donations from the Chinese community. The members of the Chinese community give a monthly contribution ranging in amount from P2.00 to P20.00 depending upon their income. Very few Chinese fail to give their share in the maintenance of their schools. All schools collect tuition fees from the students. The tuition fees in the secondary schools amount to about P60.00 to P120.00 in the Chinese department and P160.00 in the English department a year. Scholarships are offered to poor but deserving students.

The Chinese school has usually two departments according to the field of instruction: the Chinese department and the English department. The former is offered in the morning while the latter is conducted in the afternoon for both the elementary and secondary levels.

The Chinese department is under the supervision of the Board of Directors of the Chinese Embassy, and the curriculum is prescribed by the Ministry of Education of China. The Ministry of Education through the educational consultant in the Embassy determines the qualifications of teachers, the scholastic standards, the books, school discipline and the selection of the administrators like the president and members of the Board of Directors, supervisors, and principals.

The Chinese Department uses Chinese as the medium of instruction. The textbooks used are imported from China except those used in the English classes which are subject to the approval of the Chinese Embassy.

vacuum tubes, electric bulbs. Its heavy machines like electric locomotives are manufactured by separate companies under its control. Nippon Electric, Yokogawa Electric Works and Iwasaki Communication Apparatus Co. are manufacturing telephone equipment and other communication machinery. Radio sets and phonographs are made by Nippon Victor and Columbia. Cameras and sewing machines are two items of light machine industry in which Japan may take pride. The latest of distinguished products are "Zunow" lens of aperture 1.1 and Fujinon f 1.2. Most of these are produced in the Tokyo-Yokohama industrial zone. Although sewing machine manufacturers scatter in many localities, Tokyo is the largest production center. There are Mitsubishi Electric Mfg. Co., Tokyo Juki Sewing Machine, Janome Sewing Machine, etc. all of whom are counted among the leaders of the industry. Chemicals, dyestuff and chemical fertilizer must also be counted among important products turned out in this area. Besides, there are bicycles, printing machines, weaving machines, paper, sheet glass, medical appliances.

The faculty is composed of teachers who have graduated from the teacher training institutions in China and in recognized schools in the Philippines. An elementary teacher's certificate is required for elementary school teaching and a B.S.E. degree is needed for teaching in the secondary schools. Most of the teachers are Chinese nationals who speak both Mandarin and English, who have studied both in the Chinese universities and American universities. Because of the nature of the curriculum and the methods of teaching, teachers who speak Mandarin and English are preferred because they can easily shift the language of instruction from English to Chinese as the occasion arises.

Some teachers are Chinese professionals; others are students who speak both English and Chinese. There are several Filipinos who are employed as supervisors, principals, and teachers in the English department. The monthly compensation ranges from P100.00 to P200.00 in the elementary and from P150.00 to P300.00 in the secondary schools, depending upon the number of hours they stay in school. Other teachers are paid from P30.00 to P35.00 per period. Supervisors and principals receive fifty pesos more than the classroom teachers in both levels of education.

In the Chinese department the 6-3-3 plan is followed, which requires 6 years in the elementary, 3 years in the junior high school, and 3 years in the senior high school. In the English department the 6-4 plan is adopted or six years in the elementary and four years in the high school. Chinese schools are confined to primary and secondary instruction only, although it was understood that an order was received some time ago from the Ministry of Education of China to open collegiate courses. For the present the students who desire to continue their university education attend the colleges and universities conducted by non-Chinese elements.

In the primary course which covers six years both in the English and the Chinese departments, arithmetic, Chinese reading and writing, language, social studies with emphasis on geography, music, drawing and nature study are taught in Chinese.

While compulsory attendance is prescribed in the Chinese department no such requirements are made in the English department. Tutors are employed by some wealthy families for their children who do not like to go to school in the afternoon, or by those who seek additional help in their studies.

The secondary course in the Chinese department is divided into two stages—three years in the junior high school and three years in the senior high school. In the high school the teaching of the Chinese language is emphasized by giving it six periods a week. Two hours are allotted each week for Chinese History, except in the third year of the junior high school and the senior high school. Some fundamental principles of Zoology, Botany, Elementary Chemistry, are also given. The Ministry of Education requires the teaching of vocational subjects in the high school, but these subjects are not offered in many schools because the students are overworked and the time is limited. Chinese nationalism is instilled in the minds of the youths. Boyscouting or girlscouting, music and drawing form an integral part of the curriculum. Advanced mathematics is also offered to prepare them for college work. Physical Education is usually held in the morning session. Very few students stay in the afternoon, for some of them prefer to stay at home, while others study in universities.

Recently the problem of Chinese education in the Philippines became a serious question between the Philip-

pine government and the Chinese embassy in the Philippines. The Bureau of Private Schools, the government entity, which is charged with the functions of regulating and supervising all private educational institutions, found that there are Chinese schools which have been operating without permit from the government and which were suspected of teaching communism.

The Board of National Education created a committee to investigate the matter. The representatives of the Foreign Affairs Department of the Philippine government and the Chinese embassy in the Philippines threshed out the problem.

The limitation and extent of government supervision that should be exercised over the Chinese schools was raised. Under the Philippine Constitution all educational institutions are subject to regulations and supervision by the State. At the same time the Treaty of Amity between the Republic of China and the Republic of the Philippines provides that the nationals of each country shall be accorded the liberty "to establish schools for the education of their children . . . in accordance with the laws and regulations of the others." The representatives of the Philippine government claimed that under the Constitution the power to supervise and regulate the schools belong exclusively to the Philippine government. The representatives of the Chinese schools, on the other hand, maintained that under the Treaty of Amity the power given to organize schools automatically includes the right to supervise them. Dr. Wang who represented the Chinese schools proposed the following points regarding the supervision of the Chinese schools:

"(1) To recognize joint supervision of Chinese schools by both the Philippine and Chinese governments. In the case of the latter, through the Chinese embassy;

"(2) To recognize the right to put up schools under the amity treaty as the same right to supervise said schools;

"(3) To permit a pattern of Chinese supervision of their own schools, so long as these schools operate without infringement of Philippine sovereignty, and are not anti-democratic and anti-Filipino; and

"(4) Request for consultation of both governments on policies concerning Chinese private schools, either on diplomatic or professional level."

The special committee of the Board of Education discovered that of the 135 Chinese schools in operation in 1955 only 97 are registered with the Bureau of Private Schools, which are considered evidence of failure of the said Bureau to exercise proper supervision of the Chinese schools. It was also reported that the Board of National Education observed that "there was undue exercise of territorial jurisdiction by the Chinese government" when it undertook supervision and control of Chinese schools operating in the country. In accepting the report of the committee, the Board recommended that the Department of Education seek the cooperation of the Chinese Embassy in the supervision of the Chinese schools.

The question aroused considerable discussion in the press, and the Philippines Herald in its editorial of August 10, 1955 advocated serious study of the problem which should result in a workable plan for the Chinese children who are likely to stay in the Philippines, and for those transients who are likely to leave the country after a short stay.

For those children who are likely to become permanent residents and citizens of the Philippines, the school should provide the same type of education as that given to Filipino children. To the curriculum there should only be added the

ECONOMIC DEVELOPMENTS IN THE PHILIPPINES

Fishing: The bureau of fisheries and Leyte Twine and Net Manufacturing Co. engage in a joint venture to develop the "otoshi-ami" type of deep-sea fishing in the Philippines. The "otoshi-ami" technique of fishing is a method of catching tuna fish, the hasa-hasa, sardines and other kinds of fish with the use of fishing nets specially designed for the purpose. The new type of fishing can be employed in the open sea having a depth of 80 fathoms. The bureau of fisheries supply 4 open boats and 1 launch needed in the operation while the Leyte Twine and Net Mfg. Co. provide the fishing equipment and devices to be used. The fishing firm will also supply about 80 fishing laborers and helps. The catch will be sold in the local market.

Investment: Milton H. Gross, New York counsellor at law on patent and trademark matters, conferred with the Philippine Chamber of Industries on the possibility of asking New York financiers to invest and engage in heavy industries in the Philippines. The textile manufacturing industry in the Philippines has made considerable strides but Gross suggested that it be geared to more production so as to supply the requirements of the country.

New Business Tax: Restaurants, bars and cafes now pay three per cent tax on sales of food and refreshments and seven per cent on sales of wine and liquors. Food and liquor selling establishments issue two kinds of receipts, one for the sale of food and refreshments and another for the sale of wine and liquor. The tax rates on automobiles were revised to 50 per cent, if the selling price of the automobile does not exceed P1,000; 75 per cent, if the price is over P7,000 but not beyond P10,000; and 100 per cent, if over P10,000. Spare parts and accessories imported as replacements or as completely knocked down parts for assembling are subject to seven per cent tax.

Local Goods: Carl W. Paulino, builder of high-fidelity systems, deplored the eagerness of some Filipino producers in tying up with foreign name-brands, borrowed good-will and other forms of assistance. He was critical of domestic manufacturers who take advantage of special inducements and protective measures instituted by the Philippine government in favor of local industries, but make no effort to gain public patronage through quality production and follow-up servicing. Filipino producers should be proud of their "made-in-the-Philippines" products. They should develop their own brands and trade-names which would symbolize high and dependable quality in the minds of consumers.

Insurance: Benjamin N. Woodson, president of the American General Life Insurance and Hawaiian Life Insurance Co., said that insurance is in its infancy in the

Philippines and that it has an unlimited potential for steady expansion in the next several years. While the growth of the insurance business itself will depend on the overall economic growth of the country the rapid increase in the assets of insurance companies will have a tremendous impact on accelerating the pace of economic development. Increasing the amount of insurance in force would be one effective way of producing long-term investment capital.

Equipment from U.S.: The administration's super-highway program received a big boost with the arrival from the United States of the first shipment of heavy equipment worth \$1 million. Present lack of heavy equipment caused a bottleneck in implementation of public works program. The first shipment of heavy equipment consisting of road rollers, cranes, and soil cement mixers will be farmed out to engineering districts. A total of \$41 million has been invested for heavy equipment, the breakdown of which follows: \$11 million from public works fund; \$21 million from ICA funds; and \$9 million from surplus funds.

Crack Down on Importers: The Central Bank prepared to crack down on seventeen big importers responsible for the annual depletion of the nation's dollar reserves by \$15,000,000. The Bank called for liquidation papers, import receipts and other records of these firms after the monetary board had found damaging evidence tending to link these big companies with the illegal outward flow of dollars yearly. The seventeen importers operated their kickback program through buying offices in United States cities. The companies asked their American offices to ship only small portions of firm orders covered by letters of credit while the balance of the money would be left in the United States for the importers' account. Those holdover dollars were then sold to the highest local bidders, especially persons who travel abroad with limited dollar allocations. The buying offices abroad were padding expenses and other contingent disbursements.

Dummy Law: Putting sharp teeth into the anti-dummy law by awarding to the Filipino dummy 100 per cent of the properties to be confiscated from alien firms upon report of the former and conviction of the latter was advocated by Gaudencio E. Antonino, president of the Producers and Exporters Association of the Philippines. The present anti-dummy law grants only 25 per cent of the confiscated properties to the informer. With the 100 per cent award to the dummy himself upon his report of the illegal transaction to the government, absolving him of any legal liability, Antonino claimed the dummy problem will have been solved once and for all.

Rice Yield: Secretary Juan de Rodriguez of Agriculture and Natural Resources announced that the yield of rice fields can be increased by an average of 19 cavans per hectare or 43 per cent through timely spraying of infested fields with effective insecticides for the control of rice stem borers and other pests of rice. This represents a net value of yield increase of P138 per hectare to the farmer. This has been proven in ten provinces where 352 demonstration fields were used in the joint efforts of the bureaus of plant industry and agricultural extension. Endrin and EPN 300 with concentrations of .03 per cent and .06 per cent, respectively, were used.

Smelting and Oxide Factory: Edwin Schwinger, American businessman, will establish a lead smelting and

subject of history, geography, and the basic culture of the home country.

For those children of the transient aliens, the schools should be allowed to offer the same kind of education that obtains in the homeland, and the government may supervise such schools only to prevent teaching that is derogatory or inimical to our ways of life. The Manila Times urged editorially a revision of the curriculum of the Chinese schools so as to produce Filipinized Chinese citizens who know the essential facts about the country in which they intend to reside permanently.

oxide factory in the Philippines to be financed by American and Filipino capital. No dollar allocation from the Central Bank would be needed for the factory because the machinery would be supplied by W. F. Fuller and Company of California as its investment in the enterprise.

Improvement of South Harbor: Col. Salvador T. Villa, general manager of the Manila Railroad Company, announced a multi-million-peso improvement program for Manila's South Harbor. The program would be implemented in coordination with the Manila Port Service, a subsidiary firm under the MRR organized to handle arrastre work at the South Harbor, and the bureau of customs. Expected to be completed by end of October was a P5,000-square-meter warehouse to be set up between the customhouse and the Philippine Ports Terminal building. The warehouse would be used as an extension of the piers. Other projects in the South Harbor improvement program included: 1. Reconstruction of Pier 5 into a modern commercial pier. 2. Construction of a passenger terminal within the Harbor area. 3. Installation of powerful lights throughout the waterfront area to curb pilferages.

Tire Plant: Samuel Broers, president of Firestone International Company, announced that his firm would start construction of a \$4-million rubber tire and tube factory in Muntinlupa, Rizal. Plans were also underway for the development of a huge rubber plantation in Mindanao as source of raw material for the factory, which was expected to be completed in 12 months. The Firestone president said that a rubber plantation expert from the company's head offices in Akron, Ohio, was to conduct a survey of the prospective site for the plantation in Mindanao. The Firestone plant in the Philippines will be the second to be established by the firm in Asia. The first one already in operation is located in Bombay, India.

U.S. Aid: Senator Gil J. Puyat said that the results of the technical training project under the joint Philippine-United States economic assistance program were highly satisfactory. The chairman of the senate committee on finance said the program was bearing fruits as shown by the fact that the government service was acquiring gradually trained technicians to assist it in improving efficiency in the service. About 98 per cent of Filipino trainees sent abroad for specialization returned home to join the government service despite tempting offers from private concerns to join them. There was a pressing need for technically trained men and women to help in the country's development program.

\$50 Million Smuggled to Reds: Smuggling syndicates siphon some \$50,000,000 in gold and cash out of the Philippines into Red China annually. Col. Jose Lukban, National Bureau of Investigation director, cited three reasons why smugglers funnel the hoard particularly to Hongkong, to the virtual exclusion of other Southeast Asian and Japanese ports. 1. The Communist Chinese government needs every dollar it can lay its hands on to use it in purchasing necessary parts for American war equipment such as landing crafts, motor vehicles and airplanes of World War II vintage. 2. Local and alien businessmen slip these dollars to Hongkong in order to pay for goods which could be imported into the Philippines under the no-dollar law. 3. Chinese smuggle these dollars, through Hongkong, to their families living under the Red regime.

Plywood Factory: A model plywood plant is being designed by the Industrial Development Center. Built to be the ideal plywood plant of tomorrow, the project is first of a series of target plants on different industries which have bright possibilities both from the standpoint of external

and internal markets. Plywood was billed as first of the series because of the plentiful raw materials available and also because of its wide export market possibilities, particularly in the United States.

Economic Policy: Central Bank Governor Miguel Cuaderno believes the Philippines can weather the inflationary pressures coming from abroad with the maintenance of sound monetary and fiscal policies which the Central Bank has adopted for some time now. He warns, however, against two potential threats to the economy: (1) continued budgetary deficits caused by government spending beyond its means and (2) adoption of monetary measures such as the multiple rates of exchange which will eventually lead to devaluation. He warned against proposals ranging from liberalization of the barter arrangement to adoption of a more attractive export incentive program involving some drastic changes in exchange policies. He also refers to increasing pressure from certain trade chambers to broaden trade relations through the use of currencies other than the U.S. dollar.

Governor Cuaderno believes the use of sterling and other non-convertible currencies at this time is fraught with dangers since there is no way as yet to reach a bilateral understanding with any of the countries in the non-dollar areas that will make a currency other than the dollar freely convertible anywhere. He still believes that the Philippines will be holding the bag should it try to maintain a reserve other than the dollar because it cannot have a reserve it can spend any other currency as freely as it can spend dollar.

As to the adoption of a more liberal export incentive program involving establishment of multiple exchange rates and other drastic changes in the monetary system, Cuaderno points to the recent experience of Indonesia and cites a London Financial Times article commenting on the marked turn for the worse of Indonesia's balance of payments which emphasizes the need for a comprehensive overhaul of the country's foreign exchange system. The movement of rubber prices is held as responsible for Indonesia's troubles, but the Financial Times said that "the adverse impact of falling rubber prices has been underlined by other developments that could probably have been averted had Indonesia not insisted upon clinging tenaciously to her out-moded multiple currency system."

Compared to Indonesia and other South American countries which have experimented on the multiple currency system, Cuaderno points out, the Philippines is much better off. As a result of the policies adopted by the Central Bank, the international reserve has improved steadily since the start of 1956 and the balance of payments at the end of the first half showed a surplus instead of a large deficit as noted at the end of 1955.

One reason why the Philippines has avoided inflation was the adverse balance of payments of the country until the close of 1955. Were it not for the large cash deficit caused by heavy Philippine imports, the country would have felt the impact of the world-wide inflationary pressure. This adverse cash balance has served to retire a good deal of the cash in circulation.

Now that the deficit is being turned into a surplus the problem is to avoid inflation and rising prices which can very well slow the economic development program since the cost of almost everything else will be a lot higher than it is now. This threat of rising prices is being met with a huge importation of consumer goods, involving \$14 million worth of surplus American goods, the proceeds of which are to be used for economic development.

MALAYAN PROBLEMS

RELATIONS BETWEEN MALAYA AND BORNEO

The economic relations between Singapore, the Federation of Malaya and Borneo were highlighted at a session of the various branches of the Malaya-Borneo Group of the Commonwealth Parliamentary Association which met in Singapore. Mr. Ong Kee Hui (Sarawak) said that while Sarawak was able and willing to employ the entrepot services of Singapore, she would continue to do so only so long as these services were of reasonable cost. If for any reason the cost of these entrepot services was increased then Sarawak would—and indeed had already showed signs of beginning to—develop her own services. As far as imports into Sarawak were concerned, Sarawak was already beginning to establish her own direct links with markets overseas—particularly Hongkong. As development along this line proceeded there might be a corresponding drop in the imports which Sarawak obtained through Singapore.

Mr. Lim Koon Teck (Singapore) hoped that arrangements would be maintained for a common currency throughout the territories. Mr. A. N. Goode, Financial Secretary, North Borneo, said the concern today was not so much the general economic interdependence of South East Asia and the Archipelago, as the special relationship between the Commonwealth territories in the region—Singapore, the Federation of Malaya, Sarawak, North Borneo and Brunei. He continued, "we talk of trade between the territories of the region, but in fact there is relatively little real trade (in the sense of exchange of products) between the five territories. Despite the growing industrial potential of Singapore—and to a lesser extent, the Federation—the countries of this region are all primary producers: their products are to a large extent the same and not complementary. In consequence, they are rather competitors in overseas markets than cognate limbs of one economic body.

Speaking for North Borneo, the ultimate destination of most exports, and the ultimate origin of most imports, lies outside this region. Only 11% of North Borneo's imports in 1955 came from Malaya, and only 20% of her exports came to Malaya. Even of this 20% of exports, a large proportion is re-exported from Singapore after undergoing little more than a process of sorting and handling. Even the traditional entrepot trade has not, for North Borneo, the dominant position which it may at one time have held. To take for example rubber which comprises over half the total exports of North Borneo, only 35% was sent in 1955 to Singapore. The remainder went either to Hongkong, or via Singapore on a through Bill of Lading to the United Kingdom and other countries in Europe. In the case of timber, second most import export, the position is even more striking. Less than 1% was consigned to Singapore; and the great majority went direct, without transhipment, to Japan, Hongkong, Australia and the United Kingdom.

"We in North Borneo are near the periphery of South-East Asia and we look, not only to Malaya and to Sarawak and Brunei, but also to Hongkong, Japan, Australia, the Philippines and Indonesia. It is when we come to the invisible elements that the uniformity of our five territories is more clearly marked. The structure of commerce in all of them depends to a very large extent on the Banks whose branches cover that area, and who have played for nearly a century such a prominent part in the financing of our trade. And, besides the Banks there are the largest trading houses who between them handle such a considerable proportion of both the export and the import trade of the

territories. By applying a common policy and common standard of business practice, there is no doubt that these Banks and trading houses have exerted, and continue to exert, a strong unifying influence throughout the territories. However divergent the pattern of commerce may be, the unity of structure will remain as long as these Banks and other firms play their important part in the economy of our territories.

"Another unifying factor (though this may not last for much longer) is the common currency in use throughout the five territories. Even before the war, when Sarawak and North Borneo maintained their own currencies, the dollar unit was basically the same and there is no doubt that this common acceptance of the Straits dollar (nowadays it is the Malaya/Borneo dollar) has done much to preserve some economic unity in the area—and indeed not confined to the British territories, for the Straits dollar has, even now, a wide acceptance in the foreign countries around us.

"The economies of the countries of South-East Asia are similar, but they do not make for natural economic unity, and there is nothing inexorable or predestined about the close relations that are, in practice, maintained. Those relations are based on a marriage, the two parties to which are the initially advantageous geographical position of Singapore and the system of finance that has been built with Singapore as its focus. The Commonwealth territories which form part of this region have (apart from the special link between Singapore and the Federation) comparatively little economic unity of their own, beyond what they share with the region as a whole. But if the five Commonwealth territories stand firmly together in the broad outlines of their economic policies, they will maintain a dominant role in the economy of the region, and they will be able to build up a position of strength far beyond anything that the mere geographical situation of Singapore could afford."

Mr. J. M. Jumabhoy, referred to certain basic points of similarity in the economies of the Malaya-Bornean territories. The first of these was geographical. Because of similar climate conditions the primary agricultural products were largely similar. The second similarity was the constant preoccupation of these territories with the production, processing and marketing of raw products for world consumption; our economy was of the plantation type. The chief of these products are rubber and copra which form the main export commodities of the Federation of Malaya and Borneo and which contribute a great degree to the revenue of these two countries; more recently Sarawak and Brunei have turned to regard oil as one of the main export items of trade. Apart from rubber and oil, there are other products like timber, copra and, more recently, Sarawak has developed its pepper industry to a very large extent, so that Sarawak pepper is now replacing the lampong pepper in European markets. Singapore, however, due to the smallness of size, is not a primary producer, but she fits into this set-up in the region as the middleman who collects the produce in bulk, processes them and re-exports them to the world markets. Conversely, she sends machinery and consumer goods to the Borneo territories which are in need of these goods. The third point of similarity in the development of these territories is the influx in the early stages of immigrant capital and immigrant labour. European and Chinese capital has emigrated into the territories and is continuing to emigrate until very recently; also immigrant labour which has, to a great extent, aided in the development of these territories. There are extremely close ties between the European and Chinese business houses in

MALAYA'S TIN

Malaya is the world's largest producer of tin. 61,245 tons of metal was produced in 1955. The part which tin has played in the development of Malaya can be traced far back into history and is intimately connected with the association of the Chinese with Malaya.

It is not known when the tin-ore deposits of Malaya were first exploited but Arab writers refer to a place in the Peninsular famous for its tin, as early as the ninth century. That the Chinese have been working these deposits for the last several centuries is much more certain. Their records of the early fifteenth century refer to the occurrence of tin in the Mountains of Malacca and that men were sent there to mine it. Malacca in those days included much more territory than the present Settlement. A Malay tin coinage was in existence before the conquest of Malacca by the Portuguese and, moreover, there is a definite record of tin being exported from Klang as early as 1613. In 1641 the Dutch captured Malacca from the Portuguese and shortly afterwards they established trading stations on the Perak and Selangor rivers to control the tin trade. During the 17th and 18th centuries they endeavoured to keep a monopoly of all tin produced in Kedah and Perak. The Dutch records show that 344 tons of tin-ore were exported from Malacca alone during 1649. In 1786 Penang was ceded to Britain, and in 1787 the annual export of tin from Perak State was some 3,000 piculs, and this had increased to 9,000 piculs by 1804. The bulk of this tin was won by Malays in the Kinta and Batang Padang districts. In 1818 there was estimated to be only four hundred Chinese tin miners in Perak.

Singapore and Malaya and in the Borneo territories; and even the banks have very close ties and follow similarly in their policies.

"An examination of the economic policies followed so far by the Malaya-Borneo territories shows that barring minor differences due to local circumstances, there is broad uniformity in these policies. It may be argued that this was administrative expediency, but having regard to the similarity between the economies of these territories, this uniformity is a sound economic basis. Having a common dollar for several territories is a very tricky business. One has to see that not only must the dollar be acceptable to all the territories, but that the same dollar will, by and large, buy the same amount of articles; it should have the same purchasing power in all the territories. The Malayan dollar has enjoyed the confidence of its users for a very long time and even circulates in the Rhio Archipelago, and its stability has been conducive to the flow of trade in this region.

"Singapore has been a natural port of the Federation of Malaya, specially for the south of Malaya, for many years. Now we are moving towards political advancement in both these territories and because of the emergency in the Federation, the Federation found it necessary some years back to put tariffs on a lot of imported goods in order to raise revenue. Singapore now finds that these tariffs are creating an obstacle to the development of her industries and we in Singapore, though we may progress separately on the political path, we hope we will in the future merge with the Federation, as it is our proper destiny that we should. We hope that in the meanwhile something could be done to eliminate this difficulty which is facing the Singapore manufacturer."

By 1871 mining gave employment in Selangor alone to some 12,000 Chinese and by 1874 nearly 15,000 were employed in Sungai Ujong, Negri Sembilan. During 1818 to 1826 struggles for the possession of Perak took place between Kedah, with Siamese backing, and Selangor, the Siamese leaving the state in 1826 in consequence of a treaty between England and Siam. For the period of forty years ending 1839 the output of tin appears to be fairly constant ranging only from 6,000 piculs to 9,000 piculs.

The existence of tin in the Larut district appears to have been unknown until 1848. It was discovered by a Malay who obtained a title from the Sultan to mine the area. It is reported that when he first went there, there were only three Chinese in the whole of Larut. Large scale Chinese migration followed and development was extremely rapid. By 1862 there were 20,000 to 25,000 Chinese in Larut and by 1872 the number had reached 40,000. The majority were Cantonese but there was also a large number of Hakkas. Large scale rioting broke out between two rival factions in 1862 regarding the ownership of mines; and again in 1872 on a larger scale. It developed into fierce warfare in the course of which, the property of both sides was plundered and burned. Piracy was rife and Penang, the headquarters of the two powerful Triad societies, was seething with unrest. These conditions resulted in 1873 in British intervention, and in the partitioning of the disputed district into Kamunting (the northern section) and Taiping (the southern section).

In 1887, the population of Perak included 80,000 Chinese, mostly miners, of whom 4,000 were in Larut and 25,000 in Kinta, the then two greatest tin-producing districts. In 1884, the production of these two areas was 160,571 piculs (126,999 piculs from Larut and 33,572 piculs from Kinta, still in its early stages of development). At the beginning of the 20th century, Kinta had attained an annual output of some 200,000 piculs and has, since then, maintained its position as the premier tin-producing area, both in the state of Perak and in Malaya.

In the early years, mining was carried out by hand labour only, but, in 1877, the first steam engine and centrifugal pump to be used in tin mining in Malaya were introduced into Perak, a progressive step which was rapidly adopted throughout the Industry. Until 1882, production of tin was almost entirely in the hands of Chinese but, in this year, the first European mining company in Malaya was formed, and from then onwards the methods originally introduced by Chinese miners were modified by the introduction of European machinery. Although the tin mining industry advanced considerably with the advent of European companies, the most marked advances in the methods of mining of alluvial deposits occurred from 1912 onwards, with the introduction of dredging. 1912 saw the first production of tin-ore in Malaya by steam dredge. After with the cessation of hostilities in 1918, great advances were made and the number of dredges operating increased considerably. In 1918, 126 dredges were listed as either operating, reconstructing or in process of assemblage. Progress in dredge design and the methods of extraction of tin-ore has been maintained by the introduction of large deep-digging dredges, electrical plant, high speed oil engines, and mechanical excavators in the field of mining, and by classifiers, jigs, etc., in the field of ore recovery.

Since 1948 the Emergency has affected the tin mining industry as well as the rubber industry although to a lesser extent, but in spite of this record production was achieved in

1954. One of the worst effects of the Emergency has been the complete cessation of prospecting in a number of promising areas, but with the improvement in the situation a few areas are again open for prospecting.

"Straits Tin" enjoys a premium on the metal markets of the World on account of its high quality, and the substantial supplies which are immediately available. "Straits Refined Tin" is 99.87 per cent pure, and is produced in the smelters of the Eastern Smelting Co. Ltd. at Penang and the Straits Trading Co. Ltd. at Singapore and Butterworth. The greater part of the ore smelted is mined in the Federation, but of the balance imported, the majority comes from Southern Thailand, with a little from Burma and the rest from other countries in the region.

The Federation produces about one-third of the total world production. Indonesia and Bolivia each produces about one-fifth, the major proportion of the balance coming from the Belgian Congo, Thailand and Nigeria.

tin when the price is below £700/- per ton and, after a specified quantity of tin has been obtained, by restriction of mine output.

Production of tin from ores mined in the Federation was a record in 1955 at 61,245 tons compared with 60,801 tons in 1954. Of this total about one half was mined by dredging, two-fifths by gravel-pump mining, and the balance by underground, hydraulic opencast and other methods.

Imports increased in 1955 to 15,010 tons of concentrates (yielding approximately 11,032 tons of tin) from 11,718 tons of concentrates in 1954 (yielding approximately 8,625 tons of tin). Of the 1955 total in tin metal content, 9,938 tons came from South Thailand and 974 tons from Burma.

Principal buyers of tin smelted in Malaya are given in the following table, from which it will be noted that Malaya's biggest customers are the U.S.A., U.K. and Europe. All figures are in long tons:

Destination		1948	1949	1950	1951	1952	1953	1954	1955
United Kingdom	....	155	75	7,318	15,244	16,299	6,558	4,975	2,944
U.S.A.	....	29,497	43,901	44,591	2,532	19,381	30,313	40,429	43,454
Canada	....	2,675	2,175	2,146	4,044	1,530	1,400	1,410	1,355
India	....	5,190	944	3,205	3,040	2,015	2,814	3,968	3,658
France	....	2,900	1,295	3,267	8,450	2,617	8,897	2,944	2,667
Italy	....	754	975	7,689	5,991	3,993	2,568	2,291	2,423
Netherlands	....	130	260	4,294	2,886	9,140	2,545	2,218	2,571
Japan	....	—	—	10	1,907	1,731	5,018	3,722	4,824
Others	....	5,884	5,158	9,285	20,862	7,413	6,619	8,321	7,715
Total	....	47,215	54,783	81,805	64,956	64,119	61,752	70,278	71,161

The major producing and consuming countries have agreed in principle to the formation of an International Tin Council which has not yet been established. The object of the Council will be to try and maintain the world price of tin between £640/- and £880/- per ton. It is hoped to achieve this by means of a buffer stock which may purchase

The total value of exports in 1955 was \$438 million compared with \$415 million in 1954. The average value per ton was \$6,084 in 1955 compared with \$6,907 in 1954. The spot price of tin on the London Metal Market was £697 per ton at the beginning of 1955, and £833 at the end of the year. Maximum and minimum prices during the year were £841 and £679 respectively.

ECONOMIC SURVEY OF CEYLON

(Compiled by United Nations' ECAFE Secretariat)

Ceylon's economy is characterized by the production of three major exports—tea, rubber and coconut. The value of exports, of which 90 per cent is derived from these products, has accounted for about one-third of the total gross national product in recent years. The three export crops take up two-thirds of the country's cultivated land, and provide employment to about 30 per cent of the total gainfully-occupied population.

This dependence on a few agricultural exports has rendered Ceylon's economy very susceptible to the fluctuations in the world market. The increase of world demand and prices for Ceylon's exports, notably tea but also rubber, brought about an improvement in Ceylon's terms of trade by 27 per cent in 1954, as compared to a 12 per cent rise in 1953 but a 28 per cent fall in 1952. Such specialization in export production has also made it necessary for Ceylon to import food. In 1954 domestic rice production at 400,000 tons met only one-half of the requirements for domestic consumption, while all of the country's flour and sugar, and a large portion of other foodstuffs, had to be imported. In the period 1951-53, the expenditure on food imports and other consumer-goods imports averaged 32 per cent of the gross national expenditure.

Ceylon's economy, which has functioned efficiently in the production of a few agricultural exports under the plantation system, has secured for its people a relatively high per capita income as compared with other countries of the region. Nevertheless the need for diversification to reduce its dependence upon food and other consumer-goods imports is being increasingly felt. Paddy production has recently expanded under government encouragement, in the form of provision of irrigation and government price support, though industrial development is handicapped by lack of fuel and raw materials, limited size of the domestic market, and slow growth of local entrepreneurial activity.

From the long-run viewpoint, Ceylon is faced with growing pressure of population on land. With an area of 65,600 square kilometres of which only 15,800 square kilometres or 25 per cent is cultivated, and a population of 8.4 million in 1954, the country has a population density of 530 per square kilometre of cultivated land which ranks only after Japan, south Korea and China. This population is increasing at an annual rate of 2.8 per cent, owing to a high although slowly declining birth rate combined with a rapidly falling death rate. The need to alleviate population pressure and other considerations have prompted the government to promote development, through the first Six-Year Plan (1947/48—1952/53) and the Programme of Investment (1954/55—1959/60).

DEVELOPMENT PLANS AND PROGRESS

Of a total government expenditure of Rs 1,246 million under the first Six-Year Plan (1947/48—1952/53), 50.4 per cent went to basic services such as transport and communications, fuel and power and social capital (education, health, housing, etc.) and 41.6 per cent to agriculture, with only 5.3 per cent for industry. In agriculture, the total area developed was 40,000 hectares, as against 52,000 hectares contemplated in the plan, chiefly for expansion of paddy production. Thanks to the improvement in the terms of trade arising from the Korean-war boom, it was pos-

sible to finance two-thirds of the total development expenditure from current government revenue, which was increased by higher export duties and other taxes associated with the boom; the rest was derived from a drawing-down of cash balances and government borrowing, mainly from the banks. The improvement in the terms of trade, and the implementation of the first Six-Year Plan, helped to raise the per capita income at 1938 prices from Rs 131 in 1948 to Rs 164 in 1951; the figure, however, declined to Rs 149 in 1953.

The Programme of Investment (1954/55—1959/60), integrated with the Colombo Plan and the Development Programme drawn up by the International Bank Mission, proposed a doubling of the government's development expenditure under the first Six-Year Plan to Rs 2,529 million, with a more or less similar pattern of distribution among economic fields.

The government's total development outlay (Rs 2,529 million) strikes a balance between the higher sum proposed under the Colombo Plan in 1950-51 (Rs 3,200 million) and the more conservative figure recommended by the International Bank Mission (Rs 1,600 million); of this total about one-half will be spent on entirely new projects and the balance on completion of existing ones. The primary objective of the Programme of Investment is stated to be "an expansion in the productive capacity of the economy" and "the rate of such an expansion must be sufficiently rapid not merely to keep pace with but also to outstrip population growth."

For the provision of basic economic services, there will be some new major projects along with considerable expansion of the existing ones for ports and harbours, roads and railways, power generation, etc. For agricultural projects, first priority is accorded to irrigation and resettlement, primarily for paddy production. It is planned to irrigate over 48,000 hectares of land and settle over 140,000 families on newly irrigated land or Crown land or by means of village expansion schemes. The replanting of rubber and coconut is also receiving priority attention. Outlays in the sphere of industry are relatively limited, reflecting the government policy of encouraging industrial development by the private sector; allocation of Rs 35 million has been provided for government participation in private industries, both large and small.

There is no definite programme for financing the development outlay during the second six-year period. The resources to finance the development outlay are to be determined each year in the government budget, in the light of changes in the general economic situation. The proposed average annual outlay on development of Rs 420 million, considerably higher than the actual development expenditure of about Rs 300 million for the fiscal year 1953/54, was itself somewhat exceeded by the estimate for capital expenditure in 1954/55 (Rs 452 million). The estimates of resources available for development made by the Taxation Commission suggest that such development outlay can be met within the limits of current revenue and domestic borrowing from the public.

Of the total expenditure of Rs 2,528.7 million, 69.5 per cent is estimated to be local cost and 30.5 per cent foreign cost. Ceylon has recently been receiving, in addi-

tion to technical assistance, aid to the extent of approximately Rs 20 million annually under the Colombo Plan, and has raised two loans, one from the London market (£5 million) and the other from IBRD (\$19.1 million), both in 1954. The government, however, is not counting to any great extent on external assistance in order to implement the programme, and expects that foreign finance if available will assist either in expanding the programme or in maintaining the desired levels of investment in case of any short-falls in revenue.

As the programme covers only investment by the public sector, the development foreseen during the six-year period in the private sector and in the economy as a whole is not clear. The ratio of gross capital formation to gross national expenditure was, on the average, 12 per cent in the period 1951-54, the government share in gross capital formation being slightly larger than the share of the private sector. As the size of personal savings was limited (only 2 per cent of personal income in 1953), corporate savings financed a major part of the gross private capital formation. However, the government expects that private investment, both domestic and foreign, may again reach or surpass the government's own investment, aided by governmental extension of technical assistance, credit, marketing services and concessions, etc. The extent to which private investment measures up to the government's expectations will be a measure of realization of the objective of the programme.

PRODUCTION AND EMPLOYMENT

Agricultural production

Of the total cultivated area in the country, one-third is devoted to food production to meet domestic needs, and two-thirds, as noted, to the production of three export crops—tea, rubber and coconut.

Paddy acreage has expanded in recent years as a result of development of irrigation facilities and government price support schemes. The net area harvested for the maha and yala seasons combined rose from 326,000 hectares in 1953 to 414,000 hectares in 1954, while production increased from 457,000 tons to 650,000 tons in the corresponding years. In 1955 paddy production for the maha season increased to 431,000 tons, as compared to 392,000 tons in 1954 and 268,000 tons in 1953. As an additional 6,000 hectares had been planted for the yala crop, a marked rise in total paddy out-turn for 1955 was expected.

Under the price-support scheme, the government has guaranteed a price of Rs 12 per bushel (approximately Rs 575 per ton) for locally-grown paddy and specified prices for other food crops up to the end of 1957. This subsidy, in view of the continuous fall in the market prices for rice, stimulates production though at a high cost. The guaranteed price offered by the government, coupled with the fall in market prices, has helped to maintain at a high level the volume of locally produced paddy and rice purchased by the government. The government found it possible to spend nearly Rs 130 million less on food imports (and to that extent to conserve its external assets) in 1954 than it did in 1953. This reduction of food import bill was due to a fall both in the prices and in the volume of the commodities imported. In the first nine months of 1955, rice imports declined by 1.25 per cent in volume and 18 per cent in value, as compared with the same period in 1954.

The guaranteed-price scheme and other forms of State assistance also helped to raise the production of subsidiary food crops such as onions, chillies, maize, kurakkan, etc., for which the acreage sown, though much smaller, has re-

cently risen owing to the implementation of village expansion schemes.

Among the export crops, tea output showed a significant increase to 166,000 tons in 1954—about 12 per cent above the 1951 level and about 7 per cent above the peak level achieved in 1953—owing primarily to an improvement in world prices. In 1955 production during the first nine months reached 129,000 tons, compared to 125,000 tons during the corresponding period a year before. With the downturn in tea prices which began about mid-February and continued into March and April, production in May and June declined sharply but recovered from July onward. Following the recent decision of the International Tea Committee to remove the restrictions on tea exports the government has proposed to expand tea acreage considerably.

Rubber production fell slightly from 99,600 tons in 1953 to 95,000 tons in 1954; the fall continued during the first nine months of 1955 except for latex crepe and scrap crepe, for which world demand increased. Under the rubber-replanting scheme started since 1953, 10,028 hectares were replanted in 1953-54, and another 9,600 hectares were expected to be replanted in 1955.

Coconut production continued to fall in 1954. As estimated by the Central Bank, it was around 2,570 million nuts in 1952, 2,260 million nuts in 1953 and 2,130 million nuts in 1954.

Industrial production

With a view to increasing industrial production the government has undertaken to expand power capacity and generation. With the completion in 1951 of stage IA of the Aberdeen-Laksapana hydro-electric project, power output, mainly from the thermal and hydro plants under the Government's Electrical Undertaking Department, rose from 144 million kWh in 1953 to 168 million kWh in 1954, and continued to rise moderately during the first seven months of 1955. Construction for stage IIA of the project, which is designed to double the existing capacity of 25,000 kW, started in 1954 and is expected to be completed by 1957. Pending its completion, an order has been placed for the installation of 12,000 kW capacity in a new thermal power plant in Colombo.

Post-war development in modern manufacturing, which is limited, has been undertaken mainly by the government. According to the Government-Sponsored Corporations Act, passed in April 1955, however, the hitherto State-owned factories are being taken over by government-sponsored corporations, which are eventually to be converted into limited liability companies through the sale of government shares to the public.

Of the seven State-owned factories to be handed over to the corporations, the leather, ceramic, cement and plywood factories are now in operation, while the vegetable-oil, paper, and caustic-soda-DDT factories are still under construction or re-organization. The vegetable-oil, ceramic and paper factories were converted into government-sponsored corporations in August 1955. A rise in production is reported for two of the three factories already operating: the plywood factory recorded a monthly output of 35,000 chests, while the leather factory expected to raise its present annual output of shoes from 20,000 pairs to 45,000 pairs. The cement factory, on the other hand, showed a decline in output from 88,400 tons in 1954 to an annual rate of 79,200 tons for the first eight months of 1955. A project is included under the Programme of Investment to expand the annual cement producing capacity,

by the installation of a second kiln, to 170,000—200,000 tons.

Since September 1954, the government has taken steps to implement the policy of encouraging industrial development by private enterprise, especially in small-scale industries; 89 such industries have been selected for consideration, of which 17, mostly producing essential consumer goods which are now imported, will receive immediate attention. Technical and financial assistance to the private sector is to be rendered by the government chiefly through two agencies—the Institute of Scientific and Industrial Research and the Development Finance Corporation. The Institute, already established, is to be supported by a government contribution of Rs 5 million, as well as assistance from the International Bank and the United Nations technical assistance programme. The Development Finance Corporation, for the establishment of which a bill was passed by the Parliament in October 1955, is to provide medium- and long-term finance to agricultural and industrial enterprises. Of the proposed initial capital of Rs 24 million, one-third is to be subscribed by private interests as share capital and two-thirds will take the form of a 15-year government loan free of interest, although the corporation is empowered to borrow the whole capital sum from the International Bank.

Other measures to promote private industrial development cover tax exemption, tariff protection, and a liberal policy towards foreign investment. Tax exemption for a period of five years is granted to profits of government-sponsored corporations and up to five per cent of the profits of new industrial undertakings, subject to certain conditions; higher initial depreciation allowances, which afford relief to industries in proportion to the amount of capital invested in plant and machinery, are given in 1955/56 than in 1954/55. Tariff adjustments have been made to facilitate the import of heavy machinery and raw materials and afford greater protection to domestic industries. In a recent White Paper published by the government in July 1955, the liberal policy towards foreign investment was given greater precision and content. A flexible policy is adopted, by which each individual application will be judged on its merits. Foreign investment is welcomed in industrial fields where local capital or technical know-how is inadequate or where new investment contributes to an improvement in the country's balance of payments, but not in trade and distribution. Also, there is no rule requiring majority ownership and control by Ceylonese nationals or their employment in the enterprises. It is proposed that an advisory board assist the government in screening applications for foreign investment. Thus far, foreign investment has been forthcoming for an aluminium-ware factory with Indian participation, a shirt factory with Japanese participation, and a ham-bacon-and-sausage factory with Danish participation; in addition, proposals are under consideration for a bicycle-assembly plant, a battery-and-accumulator factory, a petroleum refinery, a glass-ware factory, a sugar refinery and a confectionery factory. The government has proposed the operation of an international service for Air Ceylon by a foreign airline on a revenue commission basis, and foreign participation in a project for the development of ilmenite deposits at Pulmoddai.

Transport

Ceylon has 1,445 kilometres of railways, which carried an almost unchanged volume of freight during the last three years—1.87 million tons in 1951/52, 1.91 million tons in 1952/53, and 1.89 million tons in 1953/54. In the last-mentioned year, the three major export crops—tea, coconut and rubber—contributed barely 9 per cent of the total ton-

age of staple commodities transported by rail, as the bulk consisted of imported fuel and foodstuffs.

There are about 22,500 kilometres of motorable roads in Ceylon, with a steady increase in the number of motor vehicles (mostly passenger cars, with also a small proportion of lorries) from 57,000 in 1950 to 80,000 in 1953 and 86,000 in June 1955. The number of passengers carried by buses increased from 11.8 million in 1948 to 15.9 million in 1950 and 27.4 million in 1954. New roads have been developed to open up large tracts of hitherto uncultivated land and provide connecting links to the existing network.

Considerable progress is reported to have been made since 1950 on the project to develop the port of Colombo, for completion in 1955/56, with emphasis on construction of quays and warehouses and mechanization of port facilities.

Employment

Of the annual increase of population of 220,000, some 80,000 persons or about 40 per cent are estimated to have been added to the labour force. This rapid rise in labour force every year has been too much for the productive enterprises of the country to absorb, and in 1953 there were estimated to be 540,000 persons involuntarily unemployed and 386,000 persons severely under-employed in the country. In 1954, employment on estates remained substantially unchanged, as in 1953, while employment in industries also failed to show much increase. Employment in private trade covered by the Wages Board, and in government service, has likewise been stationary during the last few years. The implementation of the Programme of Investment in the public sector is expected to provide additional constructional employment annually for 41,900 persons, and create employment opportunities for 94,900 persons upon completion of the projects.

TRADE AND PAYMENTS

In 1954, the foreign trade surplus recorded a new peak of Rs 412 million, as compared with a deficit of Rs 40 million in 1953. Exports rose by 15.2 per cent to Rs 1,809 million while imports fell by 13.4 per cent to Rs 1,397 million. In the first nine months of 1955 exports valued at Rs 1,399 million were three per cent higher than in the corresponding period of 1954. Though imports also rose slightly to Rs 1,069 million, a large trade surplus resulted—Rs 329 million, as compared to Rs 302 million in the corresponding period of 1954. The terms of trade in 1954 were on the average 27 per cent better than in 1953, owing mainly to a rise in tea prices, and, although there was a fall in tea prices, the average for the first eight months of 1955 was considerably higher than in 1954.

The value of tea exports reached Rs 1,123 million in 1954 and Rs 894 million in the first nine months of 1955. Tea prices rose sharply during the latter half of 1954, but declined rapidly from Rs 3.27 per lb in January 1955 to Rs. 1.28 per lb in May. Prices at Rs 1.72 per lb in June rose to Rs 2.35 per lb in September. In October, however, there was a fall to Rs. 2.22 per lb which was 83 cents lower than a year before. The volume of tea exports declined to 120,730 tons during the first nine months of 1955, as compared to 130,430 tons in the same period a year before. To keep in line with the rapid change in tea prices, the tea export duty was changed several times: it was raised from 45 cents to 60 cents in May 1954, 75 cents in September 1954, Rs 1 in November 1954, and Rs 1.30 in January 1955; reduced to Rs 1 in April and 50 cents in June; and raised again to 65 cents in September.

Exports of rubber in the first nine months of 1955 were 65,320 tons in quantity and Rs 221 million in value, as

compared to 68,610 tons and Rs 207 million during the same period in 1954. Although mainland China continued to be the largest importer of Ceylon rubber in the first nine months of 1955, under the Five-Year Rubber/Rice Agreement of 1952, which provides for the annual sale of 50,000 tons of rubber by Ceylon and 270,000 tons of rice by mainland China, actual export shipments to mainland China during the period declined considerably, as compared to the same period in 1954, because the Rubber Commissioner of the Government could not obtain sufficient supplies of sheet rubber during June, July and August owing to the sharp rise in world prices of rubber. As pointed out in the 1954 Survey, in 1953/54 Ceylon gained considerably from this agreement, under which the price of rubber was fixed substantially higher, and the price of rice lower, than the corresponding world market prices. This situation was somewhat reversed in 1955 when world rubber prices rose above the contract price. The prices of rubber and rice for 1955 agreed upon by negotiation between the two governments in October 1954 have become unfavourable to Ceylon; a trade mission was sent to mainland China in September 1955 to negotiate price revision, and contracts were signed on 18 October to revise the prices of rubber for the period 1 June—31 December 1955.

Exports to other countries increased substantially to 48,970 tons in the first nine months in 1955, as compared to 24,350 tons in the same period of 1954. Between January and September 1955 20,291 tons of sheet rubber were shipped to countries other than mainland China, following the decision made by the Rubber Commissioner in the light of the rise in world prices.

Exports of coconut and products continued to be stagnant in 1955, the value of exports being Rs 181 million in the first nine months, as compared to Rs 286 million in 1954 and Rs 337 million in 1953. Reflecting the general decline in the world market prices of coconut oil, the export price index of all coconut products in the first nine months of 1955 was lower by 17 per cent than a year previously. The quantity of copra and coconut-oil exports (in terms of oil equivalent) declined from 108,000 tons in 1953 to 98,400 tons in 1954 but increased to 95,460 tons in the first nine months of 1955. In March 1955, the following reductions in export duties were made: copra from Rs 260 to Rs 200 per ton (further reduction to Rs 185 per ton in July), coconut oil from Rs 208 to Rs 135 per ton, and desiccated coconut from Rs 156 to Rs 95 per ton. With the primary purpose of promoting exports of coconut products, a trade mission was sent to Europe in June 1955.

Export earnings from minor export commodities, such as coir fibre (mattress and fibre), cocoa and cinnamon, showed a considerable increase during 1954 but declined moderately in the first half of 1955, owing mainly to adverse weather conditions.

There have been no marked changes in the geographical pattern of trade during the last few years, except those arising from the Five-Year Trade Agreement with mainland China. Trade with the Commonwealth countries, particularly the United Kingdom, has been predominant. During the first nine months of 1955 the United Kingdom's share was 28.6 per cent of Ceylon's exports and 21.1 per cent of Ceylon's imports; the Commonwealth countries' share (including the United Kingdom) was 56.4 per cent and 50.8 per cent respectively. Mainland China's share in Ceylon's trade declined from 10.0 per cent in 1954 to 6.1 per cent in the first half of 1955.

The balance of payments (current account) surplus totalled Rs 305 million in 1954 and Rs 182 million in the first six months of 1955, as against a deficit of Rs 158 million in 1953, the decisive factor being the emergence of a trade surplus. A sterling loan of £5 million, the net pro-

ceeds of which amounted to Rs 63.3 million, and withdrawals of Rs 12.9 million from the International Bank loan of \$19.1 million also contributed to the increase in Ceylon's gross foreign assets. On the other hand, the net outflow of private capital in the first half of 1955 was Rs 18.6 million, as compared to Rs 48.9 million in 1954 and Rs 37.6 million in 1953. Ceylonese nationals have continued to take over foreign plantations, while there has been a slight increase in new foreign investment in industry. At the end of September, Ceylon's foreign assets stood at Rs 1,091 million as compared to Rs 895 million at the end of December 1954 and Rs 607 million at the end of December 1953.

MONETARY AND FISCAL DEVELOPMENTS

Government revenue and expenditure

From 1946/47 to 1952/53, the government's accounts showed a continuous deficit, which was financed largely by the creation of bank credit and the running down of cash balances accumulated during the war. In 1953/54, when the country was faced with a sharp decline in external assets, the government gave up its policy of deficit financing, and followed instead the orthodox policy of balancing its budget. Current expenditure was reduced sharply by the virtual abolition of consumer food subsidies, while current revenue increased substantially as a result of the high export duty collections on tea, resulting in a net surplus in government cash transactions for the first time since 1946/47.

In 1954/55 the policy of balancing the budget was continued. In the original budget the estimated revenue was Rs 1,027 million and expenditure Rs 1,109 million, leaving an estimated deficit of Rs 82 million to be financed largely out of the proceeds of the £5 million sterling loan, floated in London in March 1954. The revised estimates showed a marked improvement, however: revenue rose by 14 per cent to Rs 1,158 million, mainly owing to the increase in export duty on tea. In 1954/55 the government accumulated a net cash operating surplus of Rs 129 million, which was partly utilized to repay domestic debt (Treasury bills).

For 1955/56, no substantial change in budgetary policy is envisaged. The objective, as described by the Finance Minister, continues to be that of a balanced budget, though some compromise is allowed in view of long-term developmental needs. A small deficit of something over Rs 100 million is expected. Total estimated revenue for 1955/56 at Rs 1,162 million is substantially larger than the actual revenue for 1953/54, and slightly larger than the estimates for 1954/55. Proposed changes in taxation, based mainly on the report of the Taxation Commission (May 1955), should give a net increase in revenue of Rs 20 million; they are wide in range but not drastic. The loss from tax concessions is estimated at Rs 7 million and the gain from increases in tax rates and introduction of new taxes at Rs 27 million.

The total estimated expenditure for 1955/56 is Rs 1,268 million, of which current expenditure is Rs 783 million and capital expenditure Rs 485 million. The payment of higher salaries to civil servants accounts for Rs 40 million of the rise in current expenditure. For capital expenditure in 1955/56 the allocation follows, in general, the pattern of priority shown in the Programme of Investment.

Money supply and prices

Government finances and external trade have been the major factors determining the monetary situation in the country. The abolition of food subsidies, an increase in taxation, and the continued trade deficit contributed to a decline in money supply in 1953. In 1954 the disinflationary effect of the budgetary policy was more than offset by an expansion of export earnings, the result being a substantial

increase in money supply. The upward trend in money supply continued in the first two months of 1955, but a decline began in March which continued through the next three months. From March to June, the expansionary effects of trade surplus which fell sharply owing to the collapse of the tea boom were more than offset by the contractionary effect of operations in the domestic government sector. The trend, however, was again reversed from July onward, and in September the total money supply at Rs 1,012 million was the highest level reached since July 1951 and Rs 131 million or 14.8 per cent higher than a year before. In the first nine months of 1955 the expansion in foreign sector was considerably less than in the corresponding period of 1954, but the domestic private sector showed a moderate expansion owing largely to an increase in commercial banks' credit to the private sector. These expansions in the foreign and domestic private sectors were offset to a small extent by a contraction in the government sector. The steady increase in fixed and savings deposits, which reached a peak of Rs 219 million in March 1955, was arrested by the collapse of the tea boom, and a decrease followed from April onward.

Prices remained rather stable in 1954. In the first nine months of 1955 a slightly downward trend in the cost of living was observed.

CONCLUSION

The economic position of Ceylon has been strengthened substantially since 1954, owing largely to the rise in tea

prices and export proceeds, the continued fall in food imports on account of increased domestic production, and the achievement of budgetary balance. However, the improvement in export earnings cannot be regarded as permanent and depends largely on the world economic situation.

The Programme of Investment in the public sector aims at achieving economic stability primarily through increased food production, for which a doubling of the per hectare yield of paddy, if attained, should assure the country of self-sufficiency in rice, the staple food. In an under-developed country where the supply of entrepreneurs is limited, government financial and technical assistance tends to be crucial to the building up of industries in the private sector. The actual operation of the newly established Development Finance Corporation and the Institute of Scientific and Industrial Research will affect the progress of industrialization, as will the provision of transport, power and other basic facilities contemplated in the Programme of Investment.

The pressure of population on land in Ceylon has increased from 517 persons per square kilometre of cultivated land in 1946 to 530 persons per square kilometre in 1954. The problem of under-employment and seasoned unemployment in the rural areas is expected to be partly alleviated by means of irrigation, rural development and colonization schemes, but the problem of unemployment in urban areas is likely to become more acute unless development in both large and small-scale industries proceeds on a broader basis than is envisaged in the programme.

BOOK REVIEW

CONTEMPORARY CHINA. Vol. I: 1955. Economic and Social Studies—Documents—Chronology—Bibliography. Edited by E. Stuart Kirby, Professor of Economics at the University of Hong-kong. (Hongkong University Press, in Association with Oxford University Press; 1956; 264 pp; HK \$25, abroad 30/- or US\$5.00).

The Hongkong University Press is doing most valuable work. It has now about a dozen useful publications to its credit, and its activities appear likely to continue and expand in future. This does much to put Hongkong "on the map", on the higher educational and intellectual plane, on a par with the Colony's commercial, political, touristic (and lately cinematographic) importance.

The technical standard of its publications is generally good—though still susceptible of much improvement. In this respect, a most practical contribution is made by Mr. Henri Vetch, for so long well-known as bookseller and publisher in Peking, who is now business manager of the HKU Press. The present publication, the first of a series intended to appear annually in future, is under the editorship of Professor Stuart Kirby, Head of the University's Department of Economics and Political Science. Professor Kirby's name needs no introduction in his native Far East, where—in addition to his worldwide travels and interests—he has had a long and distinguished career. In his eight years in Hongkong, he has contributed very much to the building up of work in this field.

This first issue of "Contemporary China" represents the first eighteen months' work of the Seminar on Problems of Contemporary China, which was undertaken at the initiative of Mr. E. F. Szczepanik, and conducted at the University under the chairmanship of Professor Kirby. Some of

the main contributions and papers presented during this period at the Seminar, with some of the indications added in discussions, are reproduced in this publication. They are divided into sections, as 'historical', 'geographical and general', 'economic' and 'social and political', together forming the first of the four parts of the volume. The topics thus range from a characterisation of the historical significance of China's relations with Russia, to economic theory, state planning, fiscal policy, trade relations with Japan, marriage and divorce laws, the population problem, and many other aspects, even the newest terminology and influence of Marxism on the Chinese language itself.

The second section reproduces the main constitutional documents of People's China. The third part gives a very comprehensive bibliography of recent publications in Hongkong, Taiwan and elsewhere, with special reference to important items which do not seem to have been noticed adequately, or not noticed at all, in the Western literature in this field. The fourth section consists of an interesting Chronology of events in China during 1954 and 1955, of economic, social and political significance.

China is broadly viewed in this undertaking. This is the living China, and China in the broad geographical sense, comprising the Mainland, Taiwan, Hongkong, the Overseas, and indeed all aspects of China's contemporary and prospective influence on the world. A most useful feature is the provision in this volume of a full and detailed index. In the index and throughout the text, Chinese characters and equivalents are plentifully, carefully and accurately given. These points add further to the value of the volume as a permanent work of reference, which is already assured by the high quality of its contents, and must increase steadily in future, as this work continues from year to year.

— Orientalis.

TOBACCO INDUSTRY IN HONGKONG

By Kang Sek-Eng

Tobacco industry in Hongkong includes manufacture of cigarettes and cigars of all qualities and of Chinese-type tobacco. The bulk of the products is for local consumption, but export to countries in South-East Asia is also substantial. Chinese-type tobacco is very cheap and is manufactured to meet the demand of the poorer population.

While the Chinese-type tobacco and inferior cigars are made in several small tobacco shops, employing no machinery, the main five cigarette and cigar factories are: the British-American Tobacco Company (Hongkong) Ltd. which is the largest, the Hongkong Tobacco Company, Ltd., the British Cigarette Company, Ltd., the Nanyang Brothers Tobacco Company, Ltd. and the London Tobacco Company, Ltd. The British-American Tobacco Company (Hongkong) Ltd. and the Nanyang Brothers Tobacco Company, Ltd. were established long before the Second World War, while the remaining three were organized after the war. These five factories are situated on the Island. The factory of the Orient Tobacco Manufacturing Company, which was established before the war in Kowloon, was destroyed during the war. It is at present maintaining only a selling agency on the island.

As no tobacco plants are cultivated in Hongkong, raw materials for this industry are imported from the United States, Turkey, Egypt, the Philippines and China. The import statistics of tobacco leaf for the years 1948 to 1954 are as follows:

IMPORT STATISTICS (in lbs)					
Type	1948-49	1949-50	1950-51	1951-52	1952-53
Clean tobacco leaf	45,570	87,918	223,619	81,139	16,852
Raw tobacco leaf (Empire origin)	533,959	597,166	463,851	847,623	1,353,517
Raw tobacco leaf (Non-Empire origin)	2,206,874	6,121,826	5,026,084	5,100,626	4,378,889
Total	2,785,908	6,806,910	5,713,404	6,029,388	5,479,256
					5,679,048

Most of the workers employed in the tobacco industry are women and are unskilled. Sorting and packing are done by hand while in the large factories machinery is employed for the making of cigarettes and cigars.

Daily wage rates of workers in the tobacco industry range from \$6.00 to \$8.50 for a skilled worker, from \$5.00 to \$6.50 for a semi-skilled worker and \$3.00 to \$5.00 for an unskilled worker. As there is a surplus of labour in Hongkong these workers are not in a good position for bargaining. Workers of the Nanyang Brothers Tobacco Company, Ltd. and of the British Cigarette Company, Ltd., however, have formed their own trade unions. The following table shows the number of manual workers employed in registered factories engaged in the manufacture of cigarettes and cigars in the years 1948 to 1955.

EMPLOYMENT STATISTICS

Year	Male	Female	Total
1948	352	872	1,224
1949	373	930	1,303
1950	397	944	1,341
1951	410	1,221	1,631
1952	306	1,123	1,429
1953	248	995	1,243
1954	238	921	1,159
1955	244	1,015	1,259

The author of this article is a student in the Department of Economics and Political Science, University of Hongkong. The article was prepared under the supervision of Mr. E. F. Szczepanik, Lecturer in Economics, University of Hongkong. (Editor's Note)

The five main factories are owned by limited liability companies, with local and foreign capital. The organization of these firms is the same as in any modern manufacturing company. The small Chinese tobacco factories are either owned by a sole proprietor or by partnerships.

For a short period after the war, British and American cigarettes were in short supply; the Nanyang Brothers Tobacco Company, Ltd. and the British-American Tobacco Company (Hongkong) Ltd. used therefore whatever raw materials were available at that time and produced cigarettes to satisfy the local demand. The industry expanded to a great extent. Output increased between 1946 and 1949. Local manufactures are most welcomed by the lower classes on account of cheaper price. Prices of Hongkong cigarettes range from 20c to 50c per packet of ten. Most brands, however, are at the level of 30c. These prices are comparable to those of imported cigarettes of similar grades.

In the local market retailers may buy tobacco products from the manufacturers. All manufacturers, however, have agents in foreign markets. The chief importing countries at present are North Borneo, Indonesia, Oceania, Vietnam, Malaya and Formosa. The very important market in China was closed in 1949. The export values for the years 1948 to 1955 were as follows:

EXPORT STATISTICS

Year	Value (H.K.\$)
1948	20,804,167
1949	32,682,508
1950	41,420,872
1951	38,679,872
1952	16,258,193
1953	11,825,281
1954	9,726,232
1955	7,974,133

Although there has been a marked decline in export since 1952, the output of the industry did not fall very much. The quantity of raw materials imported has been steady. The decline in export was offset by an increase in local consumption. This success of the industry is due to its ability to reach a standard of efficiency equal to that of more experienced and reputable manufacturers in other countries. As Government allows imports of foreign tobacco products of all brands, local manufacturers have to be very keen competitors.

Advertisements of various kinds have been employed to boost the industry. An example is to ask consumers to collect cigarette boxes. Every ten boxes can be exchanged for a ticket on which a number is printed. On an appointed date lucky numbers are drawn and the holders of the tickets, which bear those numbers, receive a prize. In the pre-war time the Nanyang Brothers Tobacco Com-

pany awarded scholarships to students who passed certain examination of that company. Some of the products displayed by the Nanyang Brothers at the 13. Exhibition of Hongkong Products were White Golden Dragon Cigarette, Red Golden Dragon, Esquire, Ranen, Globe and Seven Stars Cigarette.

Relative importance of the tobacco industry in Hongkong can be judged from the following figures. Out of a grand total of 106,299 workers employed in registered factories in some 84 industries in Hongkong in 1954, tobacco industry employed only 1,159, i.e. about 1%.

No financial aid has been given by Government to the Hongkong tobacco industry. Unlike vegetables or fish, tobacco does not satisfy any primary want. It would not be proper for Government to subsidize or assist financially the development of this industry. High taxes are imposed on tobacco imported into the Colony and these taxes form one of the main sources of Government revenue. The demand for tobacco is fairly inelastic and hence a large proportion of the tax incidence is borne by the consumers. The revenue of Government derived from taxation on tobacco increased substantially in spite of a rise in import duty on tobacco since 1949. The following tables show the rates of import duty on tobacco now in force in the Colony, and the total revenue of the Government derived from import duty on tobacco for the years 1948 to 1954.

DUTY ON TOBACCO

Rates per lb.:

A- On unmanufactured tobacco:-

(1) Unstriped tobacco containing:-

(a) 10 per cent or more of moisture by weight:-	
(i) tobacco of Empire origin	\$3.55
(ii) other tobacco	\$3.75
(b) less than 10 per cent of moisture by weight:-	
(i) tobacco of Empire origin	\$3.58
(ii) other tobacco	\$3.78

(2) Striped tobacco containing:-

(a) 10 per cent or more of moisture by weight:-	
(i) tobacco of Empire origin	\$3.70
(ii) other tobacco	\$3.90
(b) less than 10 per cent of moisture by weight:-	
(i) tobacco of Empire origin	\$3.85
(ii) other tobacco	\$4.05

B On manufactured tobacco:-

(1) Cigars:-

(i) of Empire origin and manufacture	\$4.50
(ii) of Empire manufacture only	\$5.25
(iii) other cigars	\$7.00

(2) Cigarettes:-

(i) of Empire origin and manufacture	\$4.70
(ii) of Empire manufacture only	\$5.30
(iii) other cigarettes	\$6.00

(3) Other manufactured tobacco including snuff and cigar cuttings:-

(i) of Empire origin and manufacture	\$3.30
(ii) of Empire manufacture only	\$3.90
(iii) Chinese prepared tobacco	\$8.00
(iv) other varieties	\$4.80

REVENUE FROM DUTY ON TOBACCO

Year	Duty on tobacco	Total revenue of Government	Proportion in total revenue
1948-49	\$ 18,861,729	\$ 194,933,955	9.87%
1949-50	35,499,009	264,250,542	13.40%
1950-51	33,163,118	291,728,416	11.40%
1951-52	37,860,938	308,564,247	12.37%
1952-53	35,206,290	484,590,446	7.28%
1953-54	34,753,820	396,881,966	8.75%

A few words may be said of the illegal making of cigarettes from cigarette stubs picked up in the streets. Cigarettes produced in this manner are not hygienic and should not be smoked. This illegal trade is gradually disappearing, so that one nowadays seldom sees people picking up cigarette stubs from the streets.

BEVERAGE INDUSTRY OF HONGKONG

By Peter Wang

INTRODUCTION

Ordinary water tastes flat and has never satisfied man. The desire to improve the taste of water accounts for the production of such a great variety of drinks throughout the world. While the making of aerated water is comparatively recent—in fact, it is closely related with the latest developments in chemistry—the manufacture of the various alcoholic drinks has had quite a long history.

The making of beverages constitutes an important industry in nearly all countries. The manufacture of carbonated or non-carbonated water, however, is concentrated especially in countries round and near the hot zones, and it is subject to seasonal fluctuations. In Hongkong, for instance, consumption of aerated water shows a marked decline during the cold season.

Beverages can be divided into alcoholic and non-alcoholic. The former type includes beer, whisky and

brandy (Western drinks), medicinal wine and rice wine (Chinese drinks). The latter can be divided into those which are carbonated (e.g. Green Spot, Coca Cola, etc.) and those which are not carbonated (e.g. lime juice, Grenadine, etc.).

HISTORY OF NON-ALCOHOLIC BEVERAGE INDUSTRY

Aerated water was first invented 180 years ago by an English clergyman by the name of Joseph Priestly whose method of compressing carbon dioxide into water marked the beginning of the manufacture of aerated water by use of scientific methods. It was first brought to China more than 150 years ago by the Dutch as one of the commodities for trade with Hongkong. Hence the popular term "Ho Loan Sui" or "Holland Water".

Up to 1941, the non-alcoholic beverage industry in Hongkong was showing steady growth in the volume of production. In one respect, however, viz. that of distribution and sales, the development was slow because of the lack of competition in this field.

During 1841-1857, production of artificially carbonated beverages was confined to the old-fashioned syphons now regarded as antiques. It was not until the introduction of

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bottles, which can withstand very high pressure in the filling process, that an impetus was given to the beverage industry in Hongkong. Pre-war records show that from the early fifties of the last century the name of Watson's has been connected with the manufacture of aerated waters in Hongkong. In 1858 Dr. A. S. Watson, having acquired the interests of Dr. Young in the then Hongkong Dispensary, began to specialize in the charging of Seltzogenes, an early type of soda water syphon-container, with water and generated the necessary CO₂. In 1867, a Mr. J. D. Humphreys acquired the business and having formed a company under the name of A. S. Watson & Company, established a separate aerated water factory in that year in Queen's Road Central, near the site now occupied by King's Theatre. Subsequently, further factories of this type were opened in conjunction with the Company's branches in Shanghai, Foochow, Amoy, etc. As a result of the growth of output, it was found necessary to transfer the original plant to more convenient premises and a new factory was established on the location now occupied by Windsor House. During this early period, all operations were almost by hand or at most semi-automatic. Gradually, however, the company passed through successive phases of development, from the mainly manual processes of water treatment, gas production, bottle washing and filling to the present use of specially designed equipment and high speed machinery.

As the demand grew with the increase of population, the second factory producing aerated water was opened in 1907. This was the Connaught Aerated Water Company, Ltd. situated in Queen's Road East, Hongkong. The total number of retailers prior to 1941 did not exceed 1,000 and total sales were about 1½ million dozen bottles per year.

PRESENT STATE OF INDUSTRY OF NON-ALCOHOLIC BEVERAGES

During the war the industry experienced a heavy decline: factories remained idle and machines deteriorated. However, since the liberation of the Colony in 1945 a quick recovery and development took place. Greater supply was needed to meet the demand of an increasing population. New factories were opened so that today there are twelve factories producing aerated water of one kind or another in Hongkong, with the result that competition in this field is keen. These factories, of various sizes and using machinery which in some is obsolete and in others quite up-to-date and efficient, are as follows:

Hongkong: 1) A. S. Watson and Company (Electric Road, Causeway Bay), 2) Connaught Aerated Water Company, Ltd. (Queen's Road East), 3) Hongkong Bottlers (North Point), 4) Spa Food Products Company, Ltd., 5) Hongkong Soya Bean Products Company (Island Road, Aberdeen), 6) Bireley's California Orange Ltd.

Kowloon: 7) A. S. Watson (Kowloon City Road, near Kai Tak airfield), 8) Cosmos Aerated Water Company, Ltd., 9) Nanyang Aerated Water Factory, 10) China Aerated Water Manufacturing Company, 11) Tung Ah Aerated Water Company, 12) Far East Food Products.

The growth of the industry is indicated by the following statistics showing annual duty-paid sales of carbonated and non-carbonated beverages:

Year	Gallons	Index
1948	2,800,000	100
1949	4,200,000	160
1950	4,200,000	160
1951	3,900,000	150
1952	3,800,000	147
1953	3,500,000	132

The maximum was reached in 1950 after which decline set in. This can be explained by the fact that many re-

fugees came to Hongkong; with the coming of more settled situation, some of those people went back to China.

The tax on aerated water has been doubled since 1953, so that a tax of 40 cents on every gallon or 4 cents on every bottle has to be reckoned with.

Competition in this industry is keen, especially in the local market. A limited amount is exported to Macao, North Borneo, Taiwan, Malaya and other countries of South-East Asia. The raw materials needed for the industry are obtained from various parts of the world. Orange juice, for example, is imported in tins from California. Sugar is obtained either from the local market or imported from the West Indies or Taiwan. Products of the various factories include sparkling Orangeade, Lemonade, Grenadine, Ginger Ale, Green Spot, Coca Cola, Zest, Ice Cream Soda, lime juice, mixed fruit, grape fruit, lemon barley, etc.

The following table shows the growth of the industry from 1949 to 1954 as reflected in the number of workers employed:

Year	1949	1950	1951	1952	1953	1954
Number of concerns	7	8	12	12	12	12
Number of workers	328	431	469	493	490	534

It appears that, on the whole, relations between employers and workers are good. There are several trade unions to which the workers belong. The 48 hour working week is generally the standard. The following figures given by the Commissioner of Labour indicate the level of wages in the industry:

Type of Workers	Wages per day
Skilled	\$8.50 — \$8.60
Semi-skilled	\$5.00 — \$6.50
Unskilled	\$3.00 — \$5.00

A. S. WATSON AND COMPANY

A. S. Watson and Company, Ltd. were the pioneers in the aerated water manufacturing industry. This is a public, limited liability company. Its profit in 1953 amounted to \$2,734,076. Its factory in Causeway Bay is the biggest of its kind in Hongkong, and it possesses the most up-to-date and labour-saving machinery. The factory is equipped with water filtration plant, Girdler CO₂ plant, big-sized syrup boiling pans, blending tanks, machinery operating cold storage, big boilers, automatic Meyer Dumore bottle cleaners, forty-headed syrup filling and crowning machines, etc. Daily production of this factory is in the neighbourhood of about 80,000 dozen bottles.

The water tanks can hold thousands of gallons of water which is subjected to various purification processes before carbonation. The Girdler CO₂ plant turns out "dry ice" for storage use in aircraft, besides producing enough pure liquid carbon dioxide for use in making aerated water. The sugar is automatically fed to 500 gallon capacity stainless steel tanks. It is then through various processes converted into syrup by the addition of water etc. The thorough cleaning and sterilizing of bottles are carried out by means of the Meyer Dumore washing machines, the operation being fully automatic. Actual production is accomplished by means of forty-headed, high speed, syruping, carbonating and crowning machines. These are fully automatic, each capable of handling between 500-600 dozen bottles per hour.

The company has an analytical laboratory and a medical clinic under a medical officer to take care of the health of all its staff. All employees before engagement are subjected to full medical examination, repeated at monthly intervals.

The Company maintains in its Hongkong factory a production staff of about a hundred persons, an administra-

tive and technical staff of about thirty persons and a vehicle maintenance staff of about the same number. The Kowloon branch of the Company has nearly the same number of workers. Total personnel employed by the Company amounts thus to about 300 persons.

The Company believes in the policy of sales promotion through advertising which takes the form of posters, neon lights, calendars, cigarette lighters, etc. Its foreign markets include Macao, Malaya, Vietnam, Burma, Siam, etc. To meet increasing demand, a new plant was opened recently in Kowloon city, near Kai Tak airfield. This factory is equipped with similar up-to-date machinery as the Hongkong factory. Its output is nearly equal to that of the Hongkong branch.

The process of production in A. S. Watson and Company consists of the following stages:

(i) **Water purification:** For the satisfactory production of a high quality carbonated beverage, it is imperative that the water supply conform with rigid standards of purity. However excellent the municipal water supply may be, minute particles of silt, mud, iron or small plant life must be picked, which, if not eliminated, might affect the flavour of the product. The system of additional purification which Watson's employs is the chemical and coagulation process through the installation of equipment of the latest design with further treatment by means of activated carbon. Close control of purity standards is maintained through frequent regular tests confirmed by independent analytical examination and reports from the Government Laboratory. Water, after such purification, is stored in glass-lined steel tanks in solution, as it is only through this process that true carbonation can be accomplished.

(ii) **Sugar Treatment:** Only high grade refined cane sugar is used by the Company in the manufacture of flavouring syrups. Stocks of sugar are fed automatically through stainless steel tanks. It is then converted into syrup by the addition of the required amount of treated water, application of heat, filtration, sterilization, and, subsequently, cooling. All fruit juices used in the manufacture of flavoured syrups are kept in cold storage at a constant temperature best suited for the retention of their flavour and freshness.

(iii) **Bottle-Washing:** The thorough cleaning and sterilizing of bottles is carried out by means of four compartment washing machines, the operation being fully automatic, with the exception of the preliminary examination of bottles for extraction of foreign substances and rejection of damaged containers.

(iv) **Bottling:** Actual production is accomplished by two forty-head high speed, syruping, carbonating and crowning machines. These are capable of handling between 500-600 dozen bottles per hour, and are coupled to carbon-cool units, which carry out the proper carbonation of the purified and de-aerated water cooled to a temperature of 38°F. The required addition of exact quantities of flavoured syrups and carbonated water, as well as the hermetical sealing of each bottle is effected successfully. Full stocks, subsequently, travel along the conveyors to the inspection parts for examination, before passing on to the assembly tables for casing. Agitation of full cases for proper mixing is accomplished by means of a mechanical tumbler, after which cases are stocked on skids and conveyed to the full stock storage.

OTHER FIRMS PRODUCING NON-ALCOHOLIC BEVERAGES

The Connaught Aerated Water Company was established in 1907 as an individual Chinese enterprise, but it was

re-organized into a limited liability company in 1927. The factory, situated at Queen's Road East, Hongkong, has a daily production of about 6,000 dozen bottles. Types of products, all with a lion as a trade-mark, include lemonade, ice cream soda, soda water, dry ginger ale, orange squash, grape punch, etc. Orange juice in gallon tins is imported from California, U.S.A. Sugar is obtained in the local market. The Company exports a part of its products to Macao.

The Spa Food Products Company, Ltd. was organized in Africa about 40 years ago and it was taken over by a group of Hongkong merchants and opened in Hongkong in 1948. Its daily output is 20,000 bottles. Special among its products is mulberry, while other flavours include orange, lemon juice, lime etc. Lately it has introduced to market an orange juice similar to the "Green Spot".

The Hongkong Bottlers connected with Coca-Cola Corporation have a factory located at the old premises of the Tai Koo Sugar Refinery, North Point. It started production in 1948 and its present daily output is about 60,000 bottles.

The Cosmos, established in 1948, is a branch of the same company in Manila having a history of over 30 years. It has only one set of automatic equipment and is capable of turning out about 20,000 bottles daily.

No figures as to actual production of other firms are available.

THE CHINESE WINE INDUSTRY

The growth of this industry was rapid after the war. It finds a ready local market and its products are also exported to Singapore, Malaya, Siam, etc. The following table illustrates the rapid growth of this industry in recent years:

Year	1949	1950	1951	1952	1953	1954
Number of concerns	2	8	6	16	16	15
Number of workers	21	50	104	188	186	196

Two kinds of wine can be distinguished: rice wine and medicinal wine. As the name implies, the former is made from rice combined mainly with sugar and soya bean. The latter possesses, it is claimed, some nutritional, medicinal and health-giving value. This has also many types. There are, for instance, Sze Chuen wine, Shau Shing wine, Fung wine, etc.

Production follows usually the old-fashioned methods that date back to antiquity. Most of the wine produced is for local consumption. Raw materials are imported, e.g. Ginseng from South Korea, deer tail from New Zealand. Production has shown steady development as is indicated by the following figures:

Year	Gallons	Index
1946	617,579	97
1947	676,176	108
1948	621,711	100
1949	689,232	110
1950	1,057,492	170
1951	1,282,128	198
1952	1,243,068	202
1953	1,202,602	198
1954	1,258,290	206

The following table shows the money paid to the Government as wine tax:

Year	Wine Tax (HK Dollars)
1946	1,644,424
1947	3,278,912
1948	3,083,079
1949	3,424,535
1950	4,845,476
1951	5,664,710
1952	6,843,497
1953	6,823,753
1954	7,014,322

The total revenue of Hongkong Government in 1954/55 was \$389,480,000. The tax on Chinese wine constitutes thus about 0.02% of the total revenue.

BREWING INDUSTRY

San Miguel Brewery, the only brewery in the Colony, is located at 13th mile Sam Cheng, New Territories. The brewery was originally designed by the Skoda Works Company of Prague, Czchoslovakia. In 1948 it was purchased by the present Company which has its headquarters in Manila (Philippines), and is controlled by the Soriano interests.

The brewery possesses a power plant and an electric current generator. Power is supplied by the China Light and Power Company, Ltd. but in case of necessity it can, with the generator, produce its own current.

The brewing plant consists mainly of Wort cooking equipment, fermenting cellar, storage cellar, filter cellar. The bottling machine is capable of handling 120 bottles per minute. Output of beer is about 2,500 cases (each case contains 24 pints) per shift. The beer produced is mainly for local market and there is practically no export.

The brewery is a limited liability company and has about 250 employees, of which 25 are women. The workers are not members of any trade unions. The number of

workers engaged in the production of beer increased from 156 in 1949 to 183 in 1954.

The raw material for brewing is obtained from various countries: malt from England and Australia; hops from England and Germany. Tax at the rate of \$1.30 per gallon of beer produced in the brew-house is paid to the Government.

IMPORTANCE OF BEVERAGE INDUSTRY

In 1951-1954, the total value of exports of all beverages, alcoholic and non-alcoholic, was as follows:

1951	.....	\$18,716,634
1952	.....	\$16,743,467
1953	.....	\$12,856,673
1954	.....	\$10,257,529

The total value of exports of goods locally processed or manufactured was in 1952 \$480 million, in 1953 \$635 million and in 1954 \$682 million. The export value of beverages constitutes about 2% of the total export value of locally produced goods.

The total number of workers employed in all registered factories and workshops and the number of those engaged in beverage industry are given below:

Year	1950	1951	1952	1953	1954
Total number of workers	91,986	95,207	98,126	100,766	115,453
Workers in the beverage industry	864	733	926	855	918

FINANCE & COMMERCE

WORLD PRODUCTION AND TRADE OF RICE

PRODUCTION

Total paddy production in 1955/56 was slightly higher than in 1954/55. Among importing countries Japan harvested about 3.5 million tons more paddy than in the previous year, and 4.5 million tons more than in 1953, which was a particularly bad year. Among exporting countries, Thailand and Cambodia had a marked recovery in production after the poor harvests of 1954/55. Egypt continued to expand its paddy production, the increase in 1955 being 150,000 tons over 1954 and 616,000 tons over 1953. In Formosa, about 130,000 tons more paddy was grown in 1955/56 than in 1954/55. Pakistan, on the other hand, suffered from floods, and output in East Pakistan in particular is below earlier expectations. Another marked exception to the generally higher crops in exporting countries is the United States, but this was due to a cut in area of over 28 percent. The two largest producers of rice, China and India, were formerly grouped with the importing countries, but they are at present so near to self-sufficiency that they cannot be definitely assigned to either of the groups of exporters or importers. According to Chinese reports, the 1955 crop was a very good one,

but so far no selling pressure has been shown from China in foreign markets. The second Indian estimate, which places the 1955/56 crop at about 36 million tons (paddy equivalent), is 4 million tons higher than the corresponding interim estimate for the 1954/55 crop, but these preliminary estimates cover only part of the Indian rice area.

TRADE

In 1955 world trade in rice made a further recovery from the low level reached in 1953. At the beginning of 1955 it seemed that imports into India and Japan would be lower than in 1954; however, such a contraction did occur. There was also a marked increase of imports into Hongkong, Malaya, and Singapore, probably as a result of the lower price levels. Europe's purchases also increased, mainly owing to purchases by Eastern Europe, mostly made on barter terms, and to increased imports of rice for animal feeding and industry in Western Europe. Towards the end of 1955, Indonesia and the Philippines became buyers of rice, after having reduced their imports to low levels in the latter part of 1954 and in the earlier part of 1955. In 1956 Indonesia's imports expanded further. Early in March Indonesia concluded an agreement with the United States whereby the latter would supply 250,000 tons of rice against payment in local currency, with a proviso

that the major part of these funds were to be used for development in Indonesia. An unexpected development this year has been the appearance of Pakistan as a buyer. A sharp rise in prices in East Pakistan led the government to ship rice from West to East Pakistan—while prohibiting exports—and to procure further supplies from abroad. A recent agreement with U.S. assures the import of about 160,000 tons of rice, of which about 60,000 tons are a donation, while the remainder is against payment in local currency.

STOCKS

The pressure of stocks on markets is considerably less than it was towards the end of 1954. This is due to an absolute reduction in the quantity of world stocks and a shift in the location of stocks, which now are held mainly by U.S. Owing to the poor crops of 1954/55, there was practically no carry-over at the end of 1955 in either Cambodia or Thailand. Stocks in Vietnam were reduced by the need to feed the large influx of refugees from North Vietnam. The recent purchases by Pakistan indicate that there is now no exportable surplus in that country and the prohibition of exports of rice from India (decreed on 20 January 1956) is a sign that stocks are not excessive in India. The only substantial exportable stocks in Asia are in Burma, where the carry-over at the end of

1955 was between 600,000 and 800,000 tons. During most of 1955 the chief rice exporting countries of Europe—Italy and Spain—carried unusually large stocks since prices on export markets had fallen well below the internal price levels. Towards the end of 1955 and early in 1956 the authorities adapted their export policy to prevailing price levels abroad and effected relatively large sales, mainly to the Far East. As a result, stocks of old crop rice were considerably reduced. The Egyptian authorities managed their internal price policies so as to avoid a rise above export levels, and thus no accumulation of rice stocks seems to have occurred in Egypt.

At the beginning of 1956 the world's main exportable rice stocks were held in U.S. They were estimated to include about 540,000 tons of milled rice equivalent, mainly of the 1954 crops, plus 1,200,000 tons of paddy (equivalent to 800,000 tons of milled rice) of the 1955 crop, after allowing for consumption within U.S. and its territories up to the beginning of the new crop year on 1 August 1956. In March 1956, agreements were announced whereby U.S. would dispose, during 1956 and 1957, of over 400,000 tons of milled rice to Indonesia and Pakistan, and negotiations were in progress with other countries including Japan and the Philippines, for further disposals of government held stocks. Some of the recipients of the U.S. surplus may be acquiring them in order to build up reserve stocks and thus world stocks would not be diminished by the whole amount of these U.S. exports. Present indications are, however, that only very little of the rice moving under the agreements announced so far will go to build up reserve stocks in the importing countries.

PRICES

In International Trade: The decline in rice prices has continued into 1956. This is particularly true of export prices fixed by governments. The Burmese price for the 1955/56 crop has been fixed on the basis of Ngatsein Small Mills Specials, 42 percent breakens, at £36.5 per ton (or \$100 per metric ton) f.o.b., against the price of £43.5 prevailing a year ago. Prices on Burmese government-to-government contracts also reduced. The price of the quantity to be delivered to Ceylon in 1956 (originally fixed at £46) will now be £36 f.o.b. Thailand also adjusted its prices for the current crop of medium quality rice (previously £1 above the Burmese price) to £32 per ton, f.o.b. Italy recently sold to Indonesia 25,000 tons of rice at £33.7 f.o.b. (\$92). On European import markets, prices c.i.f. Northwest Europe generally remained at the lower levels established in August 1955. The recent drop in prices for some varieties is the result of the new crop reaching the market, though the rise in freight

rates has offset to some extent the fall in f.o.b. prices.

Internal Prices: Internal prices have shown divergent movements in different countries. In U.S. the fall in prices for new crop rice from the Gulf States during July/September 1955 was reversed in November, but in the early months of 1956 prices began to fall slightly. Medium-grain rice (Zenith) again showed the sharpest decline, from \$9.25 per 100 pounds in November 1955 to \$8.75 per 100 pounds (\$192.5 per metric ton) in early March 1956. California Pearl, the price of which had remained unchanged throughout 1955, declined from \$8.50 per 100 pounds in 1955 to \$8.25 (\$181.5 per metric ton) in January 1956. Brewer's rice rose sharply, but rice bran, which had risen from \$30.25 per metric ton in May 1955 to \$43 in January 1956, has fallen to only slightly above the level of a year ago.

In India, wholesale prices of rice declined during the last quarter of 1955, but rose in late December and early January 1956, except in Madras where prices were lower in January than they were three or four months earlier. During 1955 Indian prices of other food grain showed an upward trend, with a marked increase in December. In East Pakistan, rice was originally selling at 11 rupees per maund (\$62 per metric ton) in the government ration shops, which had been set up as a result of the shortage in November 1955, but as news of the shortage of rice became worse, the price gradually raised to 20 rupees per maund (\$112 per metric ton). The price outside the ration shops was up to about 28 rupees per maund (\$158 per metric ton).

Retail prices, too, recently moved in diverse directions. While in Italy the average retail price of rice has not changed since 1953, retail prices in Pakistan have risen steadily since July 1955, with a slight break in October 1955, and prices rose sharply in Vietnam until the new crop began to arrive in the market at the beginning of this year. In general, however, the tendency has been downwards. On Swiss markets, the effect of cheaper rice imports has brought down the price to the level prevailing in 1952, that is from a peak of 1.64 francs per kilogram in 1953 and 1954 to 1.40 francs in December 1955 (32 U.S. cents per kilogram).

OUTLOOK

In the absence of wars and civil unrest, the forces making towards equilibrium are gaining strength in the world rice market. Lower world prices are discouraging production and stimulating consumption. Further drastic acreage restrictions have been announced in U.S. The 1956 acreage will be 15 percent below that of 1955 and 36 percent below that of 1954, a total

reduction of 366,000 hectares in two years. This cut in acreage is accompanied by a cut in the support prices, which at present average \$89 per ton of paddy. American rice growers are advocating some form of a two-price system whereby the prices for U.S. and its territories, and possibly also for Cuba, would be maintained at about 90 percent of parity, i.e., at about \$107 per metric ton, while prices for shipments to other destinations would be free.

Another form of a two-price system is likely to be adopted in Italy. Farmers would be guaranteed a price of 6,000 lire per 100 kilograms for the most common variety of paddy. This price would apply only to a maximum of 650,000 tons, that is 28 percent less than the actual crop harvested in 1955. About two thirds of these 650,000 tons would be absorbed by domestic consumption and one third exported. Farmers would be allowed to grow rice in excess of their individual quota but all such excess rice would have to be delivered to the rice marketing board,

which would only pay the equivalent of the export value for such excess rice. This export value is at present estimated by the Italian authorities at about 4,000 lire per 100 kilogrammes, i.e., about two thirds of the guaranteed price on the quota rice. There would thus be a loss to the board on that part of the quota rice which would be exported, i.e., on about one third of the quota. The rice marketing board intends to recoup this loss by the difference between the price paid to the farmers and the price charged to the Italian rice mills for the quantity consumed in Italy. As a result of these measures, the price to consumers in Italy is likely to be higher and the area under rice larger.

In other important rice exporting countries, though there is no present indication of any restriction of production, there are indications of a slowing down or even a stop in the expansion of area. Government plans in Burma and Vietnam appear to have given up the intention to bring back under rice cultivation the area which was abandoned in the periods of military operations. In Thailand, there was no abandoned area, but the authorities there do not seem to intend to expand the area under rice except as a result of irrigation schemes now being completed. There may even be a contraction in the area under rice in the recently opened uplands in northeast Thailand which have proved less suitable for the cultivation of rice than of other crops. All the governments of Southeast Asia are continuing their efforts to raise the yield per hectare, partly with a hope that this will reduce the unit cost of rice. Some importing countries in Asia are increasing their rice production, but there are indications that this expansion may not increase faster than the growth of the local population.

The rice economy however does not function in isolation. Movements in the supply and demand and, above all, in the price of alternative foods and in particular of other grain have a very important bearing on the rice economy. World supplies of wheat continue to be plentiful, and although the price of wheat has been sustained surprisingly well on world markets, large quantities are moved on special terms and this may keep down the expansion of the demand for rice which might otherwise have taken place.

HONGKONG — UNION OF SOUTH AFRICA TRADE

Imports of merchandise from South Africa, excluding gold, decreased from \$31,277,144 in 1954 to \$26,279,252 in 1955, or by 16 per cent. If gold is included, however, total Union exports increased from \$35,076,844 in 1954 to \$78,598,839 in 1955 or by 124 per cent. The principal items showing increases or decreases were:—

Commodity	1954	1955	Increase or Decrease
			HK\$
Meat and meat preparations	32,829	944	— 31,885
Fish and fish preparations	53,078	177,401	+ 124,323
Fruit and vegetables	1,114,206	1,157,782	+ 43,576
Oranges	889,380	763,600	—
Apples	5,353	8,924	—
Grapes	56,019	149,757	—
Pears	12,772	—	—
Other fresh fruit	—	30,405	—
Vegetable preparations	106,834	205,046	—
Feedingstuffs for animals	778,314	28,536	— 749,778
Beverages (mainly brandy)	68,517	86,165	+ 17,648
Hides and skins	112,916	124,290	+ 11,374
Oil seeds (groundnuts)	340,780	451,119	+ 110,389
Coal and coke	92,552	—	92,552
Groundnut oil	4,939,117	2,568,249	— 2,370,868
Chemicals	626,790	188,467	— 438,323
Tanning materials	9,184,162	1,782,152	— 7,402,030
Leather	345,128	354,552	+ 9,425
Gems and jewellery (diamonds cut and polished)	12,905,470	18,318,274	+ 5,412,804
Machinery	107,038	306,071	+ 199,038
Transport equipment	19,576	92,504	+ 72,928
Gold and specie	3,799,700	52,314,587	+ 48,514,887

The decline of the Union's total merchandise export trade to Hongkong was mainly due to the decreased exports of groundnut oil and tanning materials (wattle bark and extract), which showed a decline of \$2,870,868 and \$7,402,030 respectively. In the case of groundnut oil, Union exporters experienced strong competition from lower priced Indian surplus stocks and imports from China. The sharp decline of exports of wattle bark extract is reflected in the decrease of Hongkong's export trade with China. Export figures of other products which showed a sharp decline were animal feedingstuffs and chemicals. Supplies from the mainland of China were readily available and, for this reason, importers in Hongkong turned to this source of supply rather than to other sources further afield. In the case of most other products, such as, canned fish, brandy, hides and skins, oilseeds, leather, etc., the demand remained steady and substantial increases were recorded. Cut and polished diamonds found a ready market and imports increased by \$5,412,804.

FOREIGN EXCHANGE DEPOSITS IN CHINA

The People's Bank of China and the Bank of China jointly announced that they would accept certain foreign exchange deposits in their offices in Peking, Tientsin, Shanghai, Canton, Foochow, Amoy, Swatow and other cities. The currencies which would be accepted included Hongkong dollars, British pound sterling, Russian roubles and Swiss francs. A senior official of the Bank of China here said that the Bank in Hongkong had received instructions from Peking to give assistance to local Chinese as well as foreign

residents who may wish to open an account in foreign currency in China. Withdrawal of the deposits for overseas residents could be made without having to obtain approval of the Foreign Exchange Control authorities in China. However, Chinese residents in the country who wish to withdraw the money in its original currency and to take it out of the country had to obtain such an approval. Interest for such deposits is at the rate of 1½ per cent per annum for current account, 3½ per cent for six months' fixed deposit, and four per cent for a year's fixed deposit.

HONGKONG EXCHANGE MARKETS

October 8th—13th, 1956

U.S.\$

Oct.	T.T.		T.T.		Notes High	Notes Low
	High	Low	High	Low		
8	\$619 1/2	619 1/2	617	616 1/2		
9	619 1/2	619 1/2	617 1/2	616 1/2		
10	619 1/2	619 1/2	616 1/2	616 1/2		
11	619 1/2	619	616 1/2	615 1/2		
12	619 1/2	619 1/2	616 1/2	616 1/2		
13	619 1/2	619 1/2	617 1/2	616 1/2		
D.D. rates: High 618, Low 617 1/4.						

Trading totals: T.T. US\$2,110,000; Notes cash US\$605,000, forward US \$1,340,000; D.D. US\$360,000. The market was quiet with narrow fluctuations; the riots in Kowloon had not the slightest effect. In the T.T. sector, demands were well met by offers from funds from Korea, Japan and the Philippines. In the Notes market, shippers demanded and narrowed the separation of rates between T.T., also reduced the change over interest to \$4.00 per US\$1,000 in favour of sellers. Positions taken by speculators averaged US\$2 million per day. In the D.D. sector, the market was quiet.

Yen: Again there was no trading in forward, and interest for change over fixed in favour of buyers at \$1.70 per Yen 100,000. Cash quotations were \$1,472—1,467 per Yen 100,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.825—1.82, Japan 0.014675—0.014575, Malaya 1.875—1.874, Vietnam 0.0606—0.0571, Thailand 0.2808—0.2795. Sales: Pesos 320,000, Yen 103 million, Malayan \$320,000, Piastre 10 million, and Baht 6 million.

Agreed Merchant T.T. rates: Selling rates per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.333, Belgium 0.117, West Germany 1.389. Selling and buying rates per foreign currency unit in HK\$: England 16.202—16.10, Australia 13.016—12.757, New Zealand 16.202—15.867, United States 5.839—5.755, Canada 5.97—5.882, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.889—1.871.

Chinese Exchange: People's Bank Yuan notes quoted at \$152—142 per 100 Yuan. Taiwan Bank Dollar notes quoted at \$189—176 per thousand dollars, and remittances at 164—162.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.02—15.97, Australia 12.75—12.73, New Zealand 14.20, Egypt 13.20, South Africa 16.15—16.05, India 1.19—1.1875, Pakistan 0.90, Ceylon 0.98, Burma 0.475, Malaya 1.843—1.84, Canada 6.30—6.29, Cuba 4.80, Philippines 1.98—1.93, Switzerland 1.38,

West Germany 1.39, Italy 0.0095, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.0153—0.0151, Vietnam 0.065—0.061, Laos 0.715—0.07, Cambodia 0.083—0.0825, North Borneo 1.50, Indonesia 0.184—0.183, Thailand 0.274—0.273, Macau 1.002—0.995.

Gold Market

Oct.	High .945	Low .945	Macau .99
8	\$268	267 1/2	
9	268	267 1/2	
10	268	267 1/2	
11	268 1/2	267 1/2	
12	268 1/2	268	
13	268 1/2	268 1/2	High 278 1/2

The opening and closing prices were 267 1/2 and 268 1/2, and the highest and lowest 268 1/2 and 267 1/2. The market was very quiet with increased demand for actual bullion for export, thus the local stock reduced and change over interest reversed to favour buyers and netted 10 cents per 10 taels of .945 fine. Tradings averaged 7,300 taels per day and amounted to 43,800 taels for the week, in which 14,120 taels were cash transactions (3,920 taels listed and 10,300 taels arranged). Positions taken by speculators averaged 23,500 taels per day. Imports were from Macau and amounted to 9,000 taels. Exports totalled 16,500 taels (7,500 to Singapore, 4,500 to Indonesia, 2,000 to Rangoon, 1,500 to Vietnam, and 1,000 to Korea). Differences paid for local and Macau .99 fine were \$14.00—13.50 and 12.50—12.00 respectively per tael of .945 fine. Cross rates worked were US\$37.85—37.83 per fine ounce and contracted price was 37.85 C.I.F. Macau. US double eagle old and new coins quoted at \$271 and 227 respectively per coin and Mexican gold coins at \$284 per coin.

Silver Market: 800 taels of bar silver were traded at \$6.15 per tael; 1,000 dollar coins at \$3.96 per coin; 1,000 20 cent coins at \$3.05 per 5 coins.

Market Situation: The riots in Kowloon and part of New Territories have not affected business in exchange and bullion. The cause of these disturbances was originally inter-faction trouble between the Nationalists and the Communists; then it was exploited by the secret society gangs, hoodligans and the criminal underworld. It showed how serious is the problem of Hongkong's "underprivileged" refugees. There is confidence that the authorities will cope with this problem they have earlier allowed to swell to these alarming proportions. They have the support of the community in dealing harshly with the underworld; the best thing is to deport thousands either to the Mainland or to Taiwan. These are not the times for humanitarian sentimentalism.

Investors will show some reluctance in the near future until the memory of the riots will have faded out. Only

drastic action by the authorities can make investors reconsider their position more quickly, and induce them to recommend with their development plans. The Peking propaganda is exploiting the local riots, as was only to be expected from a not very friendly neighbour. But one is not disturbed by remarks and statements emanating from Peking; they are rarely, if ever, helpful. Nor was it disturbing to notice that when a Chinese mob riots the xenophobic instincts are aroused; such things must be taken for granted. It isn't much different elsewhere.

HONGKONG SHARE MARKET

October 8—11, 1956

Transactions in Wheelocks accounted for about 20% of the total amount of business done during the 3 1/2 days' trading last week. The market failed to retain the buoyancy of the previous week partly due to the rioting in Kowloon. The market was closed on Friday, October 12. The heavy turnover of the previous week was stimulated by big operators and stock brokers who were absorbing popular shares when prices were low; last week's decline represents only a slow down of such activities.

Brokers' commission (1% on buying and 1% on selling) is criticised as being too high. Many brokers quote their customers buying rates lower and selling prices higher than market levels to attract business. On the other hand, too many clients demand 'rebate' from brokers particularly when a deal passes through many hands; consequently, brokers usually get only 0.25% instead of 1%.

Non-Chinese investors are not pulling out from the local share market. Many Europeans, it is true, have sold their holdings when leaving HK on retirement; however there was no large-scale 'withdrawal' of capital from the local share market by either Chinese or non-Chinese investors. Recent bonus and new shares issued by several companies indicate that investment in local shares has considerably increased.

Last week's turnover of over 85,000 shares in Wheelocks was the result of heavy selling by Chinese investors who were not satisfied with the cash dividend; quotation was kept steady by big operators who absorbed all liquidations. Docks registered a very impressive gain of \$2 largely on account of better business reported by the Company; shareholders are expecting good dividend because the Company still has the proceeds of land sale after the payment of last year's dividend and bonus of \$3.50 per share. Hotels fluctuated between 15.60 and 15.80; buyers offer-

ed 15.40 at the close on Thursday but there was no selling response. This share may go up because construction of the new Hotel building is proceeding and should be completed next year. Star Ferries reached 143 after reluctant sellers insisted on 145 and buying offers rose from 139 to 142; 100 shares were later transacted at 142. Yaumatis remained firm at 112. Fluctuations of other shares were small.

SINGAPORE SHARE MARKET

September 29 to October 5

Further strong Government action against subversive elements, the publication of several excellent reports such as Fraser & Neave and Sime Darby and the announcement of a 1 for 1

accounts. Continued demand and lack of scrip jumped Wearnes to \$3.25 buyers and Malayan Collieries touched \$1.20 after heavy offerings had been absorbed down to \$1.11. Henry Waugh improved to \$1.60, Straits Trader to \$26.00, Singapore Cold Storage to \$1.51 and Federation Dispensary to \$2.15, all with buyers over. Gammons did not take part in the general improvement nor United Engineers although the latter met strong resistance on falling to \$8.00.

Aokam Tin was added to the official list of quotations and although there is no production yet, the shares jumped from \$1.35 to \$1.60 buyers. Batu Selangor were in demand on a vague rumour that the dredge had been sold. Petalings were caught up in the rush for tin shares and closed buyers \$3.37½ and Kuchai jumped to \$2.02 buyers. Austral Amalgamated moved rapidly to 19/- buyers on talk of increased production. Lower Perak were taken to 17/- and Kuala Kampar had a good turnover around 37½. Malayan Tin were taken from London up to 12/6 and Kent Tin 4/8 whilst London accepted Renong Tin in quantity up to 13½.

A considerable number of rubber shares had price rises. Outstanding was the jump of Teluk Anson from last week's high of \$1.70 to \$3.00 on the announcement of the sale of the estate. Sale rumours put Sungai Tukang up to \$2.00 buyers, in this case, the Chairman has already stated that the Army had asked the price at which the Company would sell the whole estate. There was a demand for Batu Lintang at \$1.66 and Kempas at \$1.85, in both cases the accounts for the year ending last June are due.

Local taxables had a better turnover but tax free Loans were scarce.

Western Titanium had local exchanges at A.9/4 and Oil Search was taken from Australasia at A.15/8.

Shares	Oct. 5	Highest	Last Week's Rates		Ups and Downs
			Lowest	Closing	
HK Bank	1630	1640	1630 b	1640	+\$10
Union Ins.	1010 s	1015 s	1000 b	1000	-\$5
Wheelock	9.10	9.10	8.85	9.05	-5c
HK Wharf	94.50	95	94 b	95	+50c
HK Dock	43.75	46	44	45.75	+82
Provident	14.10	14	13.80	13.90	-20c
Land	64.50	65	64.50	64.50	steady
Realty	1.45 b	1.50 s	1.45 b	1.50 s	steady
Hotel	15.60	15.80	15.40 b	15.40 b	steady
Trams	23.70 b	23.90	23.60 b	23.70	firm
Star Ferry	141 b	143	142	142	+\$1
Yaumati	112	112	112	112	firm
Light	25.10	25.20	24.90	24.90	-20c
Light (1949)	24.50	24.60	24.20 b	24.20 b	-30c
Electric	32	32.25	32	32	steady
Telephone (o)	25.30	25.30	25	25	-30c
Telephone (n)	24.10	24.30	24 b	24 b	-10c
Cement	38.50	39	38.50	39	+50c
Dairy Farm	15.70 b	15.80	15.50	15.50	-20c
Watson	14.40	14.50	14.10	14.10	-30c
Yangtze	6.80	6.90 s	6.75	6.80	steady
Allied Invest.	5.05	5.05	5 b	5 b	-5c
HK & FE Invest.	10.40 n	10.40 n	10.40 n	10.40 n	dull
Amal. Rubber	1.475	1.525	1.475	1.525	+5c
Textile	4.50 b	4.50	4.35 b	4.40 n	steady
Nanyang	7.70	7.60	7.50	7.50	-20c

Monday: The market ruled steady and the turnover amounted to \$1.8 million. **Tuesday:** Price movements were few and small and the turnover amounted to \$1.11 million. **Wednesday:** The market ruled steady. Docks advanced to \$45½ and Wheelocks recovered some ground. Cements were well supported at \$39 and in the Utility section, China Lights and Telephones moved fractionally higher. The turnover amounted to \$900,000. **Thursday:** Quiet and steady conditions prevailed and the turnover amounted to \$585,000. **Friday:** The market was closed as the result of the emergency situation in Kowloon.

DIVIDENDS

The Hongkong Realty & Trust Co. Ltd. announced a final dividend of 5 cents a share in respect of the year ended April 30, 1956 on the 6,000,000 shares of \$1 each.

The Eastern Asia Navigation Co., Ltd., announced a dividend of 10 cents a share in respect of the year ended March 31, 1956, on the 3,000,007 shares of \$1.50 each.

The Douglas Steamship Company, Limited, announced a dividend in respect of the year ended December 31, 1955 of HK\$7.50 per share.

HONGKONG AND FAR EASTERN TRADE REPORTS

October 1—13, 1956

Trading in the local commodity market last fortnight was active during the first 10 days but beginning October 10, the market was almost paralysed by the curfew imposed in Kowloon as a result of the rioting on the peninsula sparked off by the removal of a Nationalist flag from a tenement wall in the Li Cheng Uh resettlement area. This report therefore covers actually the activities in the local market during the 10-day period.

China Trade: China will give Nepal economic assistance worth 60 million rupees over the next three years under an agreement signed between the two

countries in Peking on October 7. Nepal will be free to use the money and materials as she wishes and China will not send 'technicians' to Nepal. Peking sold 10,000 tons of pig iron to Tokyo; payments will be made in sterling at US\$80 per ton cif Japan. From Japanese businessmen, Peking trade organizations bought 100 microscopes (total value Y5 million) and some passenger cars. China imported 1,794 cars valued at US\$9.2 million from Japan during January-August this year—50% more than the same period last year. £5 million worth of contracts were signed between Peking officials and businessmen from Singapore and Malaya cover-

ing China's purchases of 7,000 tons rubber, 2,000 tons coconut oil and 100 tons pepper; and sales of substantial quantities of rice, chemicals, textiles and other Chinese products. To Damascus, Peking offered to supply all machinery for Syria's textile, paper, match, agricultural and power industries. Peking will also send technicians to set up the machinery and to train Syrians. New Zealand businessmen will visit China next month at the invitation of the Chinese General Secretary of Trade. China wants to buy wool, milk powder, tallow, paper, timber and stud stock from New Zealand and sell fertilizer, salt, rosin, woodoil and other Chinese manufactured articles. To the local market, China again suspended the supply of beans and oil seeds to stimulate prices here; shipments resumed after local quotations had gone up. Imports of Chinese paper during the fortnight were limited to small consignments and it was believed that new indent quotations would soon be increased. Imports of light industrial products from China remained active and included large quantities of window glass, textiles, spun silk and silk piece goods. Exports to China were still limited by Peking's selective purchases in metals, chemicals and pharmaceuticals from here.

Japan Trade: Business leaders of Japan, Singapore and Malaya will form an organization to handle any joint development projects in agriculture, mining, fishing and other industries in Singapore, with possible Japanese assistance. Freight charges for metals from HK to Japan will be increased from \$43 to \$50 per ton beginning October 19; freight for scrap iron will be hiked from \$35 to \$45 per ton. Cargo movements between HK and Japan were very busy during the fortnight; exports consisted mostly of metals, scraps, beans, oil seeds and other China produce. Purchasing of steels from here slowed down because Japan's scheduled import of 15,034 tons of steels from HK was almost completed. Japan's steel imports from other countries before March 1957 are: 108,241 m.t. from US, 150,206 from Belgium, 21,052 from UK, 92,757 from Australia, 148,264 from West Germany, 17,837 from Italy, 31,439 from France, 13,923 from Canada, 5,180 from Luxembourg, 4,027 from Netherlands, 1,143 from Spain, 3,080 from Brazil, 6,700 from Norway, 622 from Singapore, 3,000 from Chile, 170 from Thailand, 1,208 from South Africa and 10,328 m.t. from other sources. To the local market, Japan shipped over 7,000 tons of commodities including 5,000 tons of cement and substantial quantities of rayon yarn, cotton and woollen textiles, and sundries.

UK and Europe: Metals, woollen piecegoods, woollen knitwear and Xmas goods were principal imports from UK and Europe. Exports to Europe slowed down but shipments of HK manufactures to UK remained

active. HK Government was authorised by London to state that there would be no change in the present policy regarding imports of goods of HK origin into UK.

Trade with US: In spite of the advance of US dollar rates in the local market, dealers here made heavy bookings of American textiles, woollen goods, pharmaceuticals, electric appliances and sundries. Imports during the fortnight included fruits, canned food, toys, office appliances, metals and pharmaceuticals. Exports to US consisted chiefly of HK manufactured torch, feather, firecracker, hurricane lantern, camphor wood chest, ivory carving, rattan furniture, enamelware and graphite. Partly printed and partly hand-painted or wholly hand-painted greeting cards and book markers can now be exported to US if covered by comprehensive certificates of origin.

Indonesia Trade: An Indonesian trade mission was on its way to Peking to negotiate the exchange of sugar for Chinese rice. Indonesia will also send trade missions to Czechoslovakia, Hungary, East Germany, Poland, Yugoslavia and Rumania. Djakarta's imports of cotton piecegoods from Japan reached the US\$9.6 million mark set by Tokyo. Dealers here believed that Indonesia would buy more Japanese cotton piece goods from HK in addition to purchases of HK products under the US cotton for HK textile program. During the fortnight, such purchases included 2,000 bales of HK yarn and about 100,000 pieces of HK cloth. Other purchases from here by Djakarta importers were insignificant. With the exception of cotton textiles, freight rates for cargoes from HK to Indonesia were increased by 7% to 10% on October 1.

Thailand Trade: HK-Thailand trade remained very active with rice (5,000 tons during the fortnight) constituting the major portion of imports from Thailand; exports of HK manufactures and Chinese foodstuff and sundries to Bangkok totalled 4,600 tons. Enquiries from Thailand covered woollen blankets, shirts, towel, cigarette lighter, fountain pen, textile products, knitwear, paper, enamelware, torch, medicinal herb. During the second week however only a small number of orders reached here; it was rumoured that commodity prices in Bangkok were depressed by recent heavy imports.

Korea Trade: There were more enquiries than orders from Seoul for selective items of paper, chemicals, pharmaceuticals and textiles. Buyers were hoping that prices might come down from the recent advance while exporters here were reluctant to send D/P shipments to Pusan in view of the possible delays in getting the money back to HK. Meanwhile, American shipping lines increased freight rates for cargoes from HK to South Korean ports by about 10% beginning October 1; rates for newsprint in reels

increased to \$101.25 per ton, cigarette and transparent cellulose paper to \$83.50, wheat flour and cement to \$69.50 per ton.

Taiwan Trade: Taipei sold 733,050 square metres of cotton cloth to Thailand for US\$112,000; shipments will be made within 3 months. Taiwan exports to the local market included 600 tons sugar, 900 head live hogs, 100 tons aluminum ingots and small quantities of tea, fresh ginger, canned food and straw board. Taiwan's purchases from here failed to improve.

Singapore and Malaya: Singapore and Malayan businessmen managed to get orders from Peking for 7,000 tons of rubber and talked Peking out of her demand to collect rubber before payment (trade is now on L/C basis); however Peking would give no guarantee that the rubber bought from Malaya and Singapore would not be used for war purposes and stipulated that no ships carrying rubber to China should be allowed to call at Formosan or American-controlled ports. The contracts also contained provisions in case of rubber cargoes being seized by the Chinese Nationalists or being stopped by the possible re-imposition of the ban against rubber shipments to China. Meanwhile a 31-member unofficial Malayan trade delegation reached here on their way to survey market conditions in Taiwan, Japan and Thailand.

The Philippines: As a result of the restriction on imports from HK imposed by Manila and the increased volume of Philippines' direct imports from US, shipments from here to Manila and other Philippine ports failed to improve; only a small quantity of HK manufactures left here for Manila last fortnight.

Cambodia, Laos and Vietnam: Cargo movements between HK and Cambodia remained active; imports included live cattle, maize, hemp seeds, sesame and other staples. Exports totalled 1,200 tons and consisted chiefly of wheat flour, textiles, chemicals, metals, garlic, knitwear and metalware. In addition to purchases made here with HK dollars earned from shipments of staples to the local market, Vientiane also bought HK manufactured textiles, enamelware, aluminum ware, torch, hurricane lantern, and steel bars with US aid funds. Trade with South Vietnam improved slightly with the arrival of 2,000 tons of maize, beans and bone-meal from Saigon; exports included medicinal herb, vacuum flask, torch battery, flint, pencil, textiles, garlic and other staples.

Burma and Ceylon: Trade with Burma failed to improve. Rangoon invited tenders from HK mills for the supply of 15,000 bales of cotton yarn but manufacturers here were pessimistic over the deal because even Japan could not compete with China in a previous tender-transaction. HK-Ceylon trade remained dull.

India & Pakistan: India shipped here rayon yarn and medicinal herb. From the local market India bought cassia lignea, torch, enamelware and aluminumware. Pakistan continued to send yarn to HK but prices declined. Exports to Pakistan included cassia lignea, furnitures, rattan and torch battery.

Africa Trade: East and South Africa remained interested in HK textiles, shirt and enamelware. Principal imports from South Africa were groundnut oil, tanning extract, fruits, cow hide and canned beef.

China Produce: China suspended the supply of oil seeds and beans during the first week; shipments later resumed at increased indents. Meanwhile, Japan slowed down the purchasing of beans and oil seeds from the local market because her demand for 10,000 tons of beans had been fulfilled: 5,000 tons from China, 2,500 from Burma, 500 from Thailand and 2,000 from HK. Prices for beans and seeds in the local market therefore failed to improve in spite of the advanced Chinese indents; speculators also started to liquidate their holdings. The market however was active with Japan's demand for other staples and orders from Europe, Australia and SE Asia for selective items. Cassia lignea and broken cassia were favoured by India, Pakistan, Europe, Middle East and Japan; prices firmed on low stock. Woodoil registered sales to Australia at £191 per metric ton cif and to Japan at £190 per mt cif. Groundnut oil of Indian origin first improved on increased indent but later eased because African products were depressed by heavy arrival; Chinese brands improved on higher indent and orders from Singapore. HK processed feathers of SE Asian origin enjoyed strong demand from Europe; buyers hoped for lower quotations but market firmed on restricted supply of raw materials. Garlic retained strong and steady demand from Singapore, Indonesia, Thailand and Cambodia. Japan was also interested in dried albumen, bristles, silk waste, jute, coir fibre, kaolin clay, feldspar and rosin; Europe in peppermint oil, egg products, bristles, bamboo cane, seagrass mat, dried ginger and jute; and SE Asia in gypsum, rice bran and camphor tablets.

Metals: More supply from UK, Europe and US coupled with the slowdown of Japan's purchasing from the local market prevented further price-advance. During the second week, mild steel round bars eased from \$68 to about \$50 per picul and mild steel plate down from \$78 to about \$60 per picul. CIF quotations from Europe also returned to £48/15/- per ton for round bars of January shipments and to £58 per ton for steel plate after shipping companies suspended the 5% surcharge on freight. The market remained active with China's demand for

angle bars, black pipe, iron wire rod, band saw, black plate, tin plate and stainless steel plate; Thailand's purchases in galvanized iron pipe; Indonesia's interest in galvanized iron sheet; Taiwan's enquiries for zinc sheet and local demand for various factory items.

Paper: Shipments to Korea were heavy during the fortnight. Meanwhile, more enquiries than orders reached here from Seoul. Demand from Djakarta, Bangkok, Saigon and Vientiane was strong. Dealers here booked more supply from UK and Europe but shipment dates were very remote. Supply from Japan and China was curtailed; as a result, many items were short in stock. Trading was therefore restricted and prices firm. Items which were popular throughout the fortnight were newsprints, woodfree printing, kraft, transparent cellulose paper, glassine and m.g. cap.

Industrial Chemicals: The market was dull registering only selective demand from Cambodia for caustic soda, sulphuric acid, citric acid, chrome alum, iron oxide, ultramarine blue; from Taiwan for stearic acid, formalin, gum copal, iron oxide; from Korea for gum copal, sodium hydrosulphite; from Thailand for tanning extract; from Indonesia for citric acid; and from China for sodium cyanide. Quantities involved were small and buying offers low.

Pharmaceuticals: The only impressive transaction during the fortnight was China's order for 100,000 vials of Japanese dihydrostreptomycin. Local demand for cod liver oil, liver extract injections and vitamin powders remained steady but prices failed to improve because competition between different dealers was keen. The market also registered enquiries from Korea for sulfonamides, potassium iodide, iodine resublimed, antipyrin, amidopyrin, acetanilide; from Taiwan for dihydrostreptomycin, sulfonamides; and from China for vitamin A oil.

Cotton Yarn: Keen competition between HK and Pakistan yarn forced prices further down. Pakistan 20's, 1-month forward, eased to \$810 per bale. HK products of various counts later firmed on new orders from UK, Cambodia, Vietnam and Indonesia. Indian products were weak while Japanese yarn steady on low stock.

Cotton Piecegoods: HK grey and drill registered sales totalling 100,000 pieces to Indonesia in addition to demand from UK. Chinese grey recovered from recent decline after local processing factories absorbed substantial quantities from speculators. Japanese cloth was kept steady by inquiries from Indonesia.

Rice: 5,000 tons reached here from Thailand. Prices in the local market eased especially when cost of Thai rice was marked down. Market improved

slightly last week when Thai indents recovered and local demand rallied. Chinese rice remained steady on low stock throughout the fortnight.

Wheat Flour: Advanced indents kept imported brands firm in spite of the dull market.

Sugar: Taiwan sugar remained weak under heavy arrival. Japanese products later improved on lower stock while Thai malt sugar declined under heavy supply. Taikoo products were marked down on account of the dull market.

Cement: Over 5,000 tons of Japanese cement reached here. Dealers booked another 4,000 tons from Japan at \$113 per ton cif HK; local demand remained very steady. Chinese cement was firm at \$115 per ton cif HK but supply was restricted. Green Island products were steady on local demand and orders from SE Asia.

Sundries: With the approach of Winter there were more orders from Thailand and other SE Asian countries for knitting wool, woollen knitwear, cotton and woollen blankets. Strong demand for Chinese drawn lace work from Mexico, West Germany, Australia and Netherlands encouraged dealers here to book more supply from South China. Chinese window glass also enjoyed improved demand from Indonesia and Thailand.

Hongkong Products: The 14th Exhibition of Hongkong Products will be opened in November. 200 manufacturers have applied to participate in this year's exhibition. Exports of HK torch batteries to Thailand are now handicapped by the increase in import duty on this item over there. HK woollen knitwear is enjoying increasing demand from Europe, UK, Taiwan and SE Asia. Demand from Canada for rubber footwear appeared weaker than last year but orders from UK remained very active.